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CHAPTER 1



1.1 FOREWORD BY THE MAYOR



The contribution of Nketoana Local Municipality to the promotion of decent livelihood to its communities has been made conspicuous by the firm foundation that has already been laid to meet the vast challenges of service delivery. Notwithstanding the fact that the year under review was characterized by a few number of community uprisings, the Municipality

was able to make significant impact in addressing those issues including among others community consultation meetings where all the misunderstandings were addressed and reports on the status and attainments of the municipality were discussed. There is an enormous need from the municipality's view point to enhance communication and information flow between Councillors, the Council's administration and our communities.

The continuous task of aligning the budget with the Integrated Development Plan (IDP) remains a key priority to the municipality. This is made feasible through pursuance of the ideal democratic governance, accountability, and transparency through improved community participation and enhanced customer care models.

The Municipality's willingness and ability to excel on the priorities and the deliverables is found on the five key strategic areas. Smoothing of relations with communities, sector departments and other

stakeholders is of critical importance to our municipality, as it sets an enabling environment to can effectively address issues of poverty and unemployment which remains at the centre of our commitment to date. The Local Government Elections that took place during May 2011 is a key event in developing of our democracy. The incoming Council will again proof that the leadership in this municipality is committed to deliverance of excellent services to ensure that our communities are always put first.

As part of the Municipality's growth path, one key measure is to transform our economy towards a more labour- absorbing and dynamic one. The council has set out clear strategic principles in determining activities to ensure that there will be a continued rendering of reliable, sustainable and quality services to the communities.

The municipality's utter most appreciation goes to the sector departments and Thabo Mofutsanyana District Municipality for their unwavering support, the communities of Nketoana Local Municipality for their ceaseless co-operation and colleagues for their able undying guidance.

Cllr. M.D.Molapisi



INTRODUCTION AND OVERVIEW

1.2 OVERVIEW OF THE MUNICIPALITY BY THE MUNICIPAL MANAGER



The 2010/2011 financial year was an election year for local government and was the last year for the current term of the Councillors. We have worked very well with the council and executive during this year and have achieved most of the key objectives we wanted to achieve. The council have set the following key priorities that we were suppose to meet for the financial year.

1. Finalise the organisational structure and restructuring
2. Appoint key personnel
3. Finalise the feasibility study for bulk water.
4. Eradicate all pre-1994 buckets.
5. Complete the 12 km roads projects.
6. Improve the audit opinion
7. Ensure financial viability
8. Improve waste management.
9. Local Economic Development

We were able to finalise the restructuring of the municipal administration where a specific division was created for economic development. Planning and housing. We have also increase the capacity of the community services department and restructured the technical department. The restructuring will assist in ensuring that we streamline our services in line with our resources.

The bulk water study was completed and approved by council. The Department of Water Affairs and Treasury has also approved the study. We have been allocated R 900 000 in the 2011/2012 financial year to finalise the surveying and the environmental impact assessment. We have eradicated 1500 buckets and we are still left with 1600 buckets to eradicate.

We have completed the 3 km road in Petsana, 3 km in Mamafubedu and 6 km in Ntha. The projects for Ntha did not run smooth as expected but the technical services were able to complete the project. This was the last phase of the current projects on internal projects. We will resume this project after we complete the water projects.

We have been liquid financially for the entire financial year and we closed the year with a positive cash balance. The increasing debtors book is a worry issue and we will be implementing a debt collection unit that will focus on addressing this problem. Our audit opinion has improved from qualification to unqualified audit opinion. We have identified key control issues that need to be addressed in the coming financial year to obtain a clean audit report.

We have established a local economic development unit that will be focusing on developing opportunities for SMMES and create an environment that is feasible to achieve job creation goals. We have reached an agreement with VKB where they will be investing R 150 million in the area and they will create 1300 jobs by 2013.

The new council was elected in May 2011 and we expect that the municipality will reach higher goals and be more productive and proactive.

Regards

Siphon Thomas
Municipal Manager



1.3 EXECUTIVE SUMMARY

1.3.1 PROJECTS: 2010 / 2011

1.3.1.1

MAMAFUBEDU: Sewer and Recycled network and toilet structures
MIGFS/4147/S/07/09
PROGRESS: Project is almost complete
WORK DONE: 90%
CONSULTANT: SVP Quantity Surveyors
CONTRACTORS: TDB & C Agency and RadimoJV, Fastvents, Mamohato construction and Hentiq

1.3.1.2

MAMAFUBEDU: Paving of 6km road
MIGFS/0493/R,ST/08/11
PROGRESS: Project completed
WORK DONE: 100%
CONSULTANT: Rudnat Projects
CONTRACTORS: Makomota Stone and Inkhokheli Business Enterprise

1.3.1.3

NTHA: Paving of 6 km road
MIGFS/0495/R,ST/08/11
PROGRESS: Project is almost complete
WORK DONE: 95%
CONSULTANT: Rudnat Projects
Contractors: Engubo Business Enterprise and Khovhogo Toberena JV

1.3.1.4

PETSANA: Paving of 6 km road
MIGFS/0494/R,ST/08/11
PROGRESS: Project completed
WORK DONE: 100%
CONSULTANT: Rudnat Projects
CONTRACTORS: Lohan Civils and Inkhokheli business Enterprise

1.3.2 WATER

Nketoana Local Municipality does not have sufficient water in all the units. We have bulk water problems in Arlington/Leratswana as well as in Petrus Steyn/Mamafubedu. For Reitz/Petsana there is sufficient bulk water with the Liebenbergsvlei as source. Petrus Steyn/Mamafubedu is serviced from Reitz. Lindley/Ntha is receiving water from the Valsriver, but it is not a stable source because it is highly dependent on adequate seasonal rain. Secondly insufficient provision of water exists because of an inadequate catchment area. Arlington/Leratswana is receiving water from a borehole. It is at this stage adequate for human consumption, but will not be adequate to service water borne sewer systems. We are currently busy with a proposal to the Department of Water to obtain funding for bulk water supply. The implementation plan is in an advance stage and we anticipate that treasury will approve the proposal. There is a considerable backlog in metered water in almost all the townships. Our current backlog is 2690 households in Ntha and 1680 in Leratswana. We have installed 800 water meters in Ntha. We had a serious challenge on the quality of water in Leratswana but we were able to solve the problem.

1.3.3 SANITATION

The sanitation services are still a mixture of several methods. Most of the households are serviced by a fully water borne system. In Mamfubedu a pilot project is in progress where "grey" water is going to be used for the water borne sewerage system. The "grey" water is treated less than water fit for human consumption and thus less costly. This is an effort to overcome the lack of bulk water supply. The package plant and the pressure tower and a 40 mega litre reservoir were completed. On 30 June 2010 1500 out of 2500 houses were connected and fully functional. We are in the final testing phase and the project should be completed in the first quarter of 2010/2011. In Ntha the bucket system is almost eradicated. Due to lack of bulk water, the progress is however not as quick as hoped for. In Ward 9 in Petsana 230 houses were connected to the sewer system and 145 toilet structures were built. In Petsana as well as Ntha, all the pipes blocked by sand were replaced. In Arlington/Leratswana serious problems due to lack of bulk water supply still exists. Sanitation is provided by suction pits, VIP Toilets and the bucket system. There is a project running to clean the VIP Toilets as the de-composure function of the system is not adequate and results in overloaded toilets. Although the VIP Toilets are an upgraded sewer service from the bucket system, the community is not satisfied with the VIP systems and demand full waterborne systems. A solution to the bulk water supply is awaited.

1.3.4 LANDFILL SITES AND REFUSE REMOVAL

There are landfill sites in all units but not of adequate capacity. At this stage the process of registration and obtaining permits for the sites is in progress. The sites lack proper fencing as well. In Reitz, Petrus Steyn and Arlington relocation of the sites are required. In Lindley a new site must also be developed very urgently. This is a serious need and to ensure that the environment be protected, no time should be wasted to complete these processes. Access control to the sites is of vital importance. Uncontrolled dumping can have serious consequences for the Municipality. The municipality need to implement recycle projects to lessen the Carbon Footprint left by the Nketoana.



1.3.5 ELECTRICITY

The distribution of electricity is done by the municipality in some areas and by Eskom in other areas. In some areas like Leratswana, newly developed residential areas are still without electricity due to the fact that Eskom has to provide it. The municipality stays in close contact with Eskom on this matter and keep on pressing for service. Our biggest challenge is the electricity losses which are currently estimated at 40%, in monetary terms R 7 million. We have upgraded the electricity network in Ntha for R 560 00 and we still need to increase our network capacity.

1.3.6 HOUSING

The backlog in housing is informed by a living waiting list kept by the Housing section in the department of Community Services. Applications for housing subsidies are regularly submitted to the provincial Housing sector. The backlog is also a result of a shortage of land for human settlement.

1.3.7 CEMETERIES

There are adequate cemeteries for the immediate need in all the units. However, in Petrus Steyn there is an urgent need for more cemeteries. It is envisaged that all areas will be properly fenced to prevent damage to graves. At this stage the maintenance of the areas is problematic due to shortage of staff.

1.3.8 LIBRARIES

There are libraries in all units. Most of it is in proper buildings. The stock is provided by the Provincial Government and is of a well balanced nature. There is also equipment provided to allow access to the Internet for library users. The libraries serve about 4000 members including adults and children. The library hours are from Monday to Friday. During school holidays programs are provided for the children at the libraries like story hours and activity programs. In Reitz a special service is provided to old age and house bound people. At this stage it is only Arlington/Lerastwana that still has no proper building. It is however in the planning stage at the Provincial Government and should be provided in coming years.

The Nketoana municipality succeeded in providing the basic services to the urban communities in its jurisdiction of a high standard. It is in the process of gradually closing the gap between previously disadvantaged areas to provide equal services to all. However, in the field of rural development and provision of services, much work must still be done. The municipality is aiming at reaching the stage where all residents within its jurisdiction will be provided with services.



CHAPTER 2



2.1 BACKGROUND

The National Government is taking the acceleration of service delivery as a key priority in the agenda of local government. Certain targets were set for different services. The eradication of the Bucket system as sanitation was the first target to be reached. The VIP systems were provided to communities as an upgraded sanitation system, but it was not acceptable for the communities. The communities insisted on full water borne systems. This was resulting in further challenges of sufficient bulk water supply to operate such water borne systems.

The road, street and storm water management systems in all the units of the municipality are in serious need of maintenance and upgrading. Although there is already quite extensive kilometre of tar roads existing in the units, the backlog is still immense. The gravel roads over the whole of the municipality are in a poor condition. It is envisaged that gravel roads will systematically be replaced by paved surfaces instead of tar surfacing. The paved roads are durable and labour intensive.

The storm water management systems need serious upgrading and maintenance. In most of the areas storm water management is nonexistent. This is also an area that needs serious attention.

The entrance points in all areas are in a bad condition and need attention urgently.



PERFORMANCE HIGHLIGHTS

2.2 BACKLOGS IN SERVICE DELIVERY

THABO MOFUTSANYANE DISTRICT MUNICIPALITY NKETOANA LOCAL MUNICIPALITY LERATSWANA - ARLINGTON WATER & SANITATION BACKLOG ASSESSMENTS AS AT 31 MARCH 2011								
STANDS								
Town	Existing		Approved (Greenfields)			Accepted (y/n)		Formalized
Leratswana	1600		300			N		1600
Arlington								80
WATER								
Communal Water Purification Plant						Y		
Communal Bulk Supply to Reticulation reservoirs						Y		
Communal Reticulation Reservoirs						Y		
Communal Supply to Reticulation Networks						N		
Water Purification								
Description	Current	Need	Backlog	Capacity	Length	Rate	Costs	<RDP Stds
Capacity (MI/d)	1.04	1.50	0.46	0.50 0.00 0.00		R 6,000,000.00	R 3,000,000.00	
Refurbishment (%)			10			R 6,000,000.00	R 624,000.00	
Bulk Supply dia (m)	0.10	0.15	0.11		300	R 300.00	R 90,000.00	
Hard rock adjustment (%)			50			R 300.00	R 45,000.00	
Water Reticulation (1m deep)								
Description	Current	Need	Backlog	Capacity	Length	Rate	Costs	<RDP Stds
Reservoir capacity (MI)	1.30	2.50	1.20	1.50 0.00 0.00		R 2,000,000.00	R 3,000,000.00	
Internal Supply dia (m)	0.10	0.24	0.22		50	R 575.00	R 28,750.00	
Hard rock adjustment (%)			50			R 300.00	R 7,500.00	
Water network (stands)	1320	1600	280			R 2,100.00	R 588,000.00	
Hard rock adjustment (%)			50			R 300.00	R 378,000.00	
Metered standpipes (no)	1320	1600	280			R 1,100.00	R 308,000.00	0
Water meters (no)	0	1320	1320			R 550.00	R 726,000.00	
SUB-TOTAL							R 8,795,250.00	

SANITATION

Communal Outfall Sewer	N	
Communal Rising Main (and pump stations)	N	
Communal Waste Water Treatment Works	N	
Communal Reticulation Reservoirs	Y	
Communal Supply to Reticulation Networks	N	

Waterborne Sewer (2m deep main, 1,5m deep erf connection)

Description	Current	Need	Backlog	Capacity	Length	Rate	Costs	<RDP Stds
Sewer network (stands)	0	1600	1600			R 2,475.00	R 3,960,000.00	
Hard rock adjustment (%)			70			R 600.00	R 3,024,000.00	
Erf connections (stands)	0	1600	1600			R 3,795.00	R 6,072,000.00	0
Hard rock adjustment (%)			50			R 450.00	R 3,420,000.00	
Toilet structures	1320	1600	280			R 7,500.00	R 2,100,000.00	
Outfall sewer dia (m)	0.00	0.30	0.30		0	R 950.00	R 0.00	
Hard rock adjustment (%)			0			R 600.00	R 0.00	

Pump stations

Description	Current	Need	Backlog	Capacity	Length	Rate	Costs	<RDP Stds
Refurbishment (%)			0			R 1,000,000.00	R 0.00	
Rising main dia (m)	0	0.12	0.12		1000	R 300.00	R 300,000.00	
Hard rock adjustment (%)			50			R 300.00	R 150,000.00	

Waste water treatment works

Description	Current	Need	Backlog	Capacity	Length	Rate	Costs	<RDP Stds
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PURIFICATION PLANTS

Capacity (ML/d)	0	0.80	0.80	1.00 0.00 0.00		R 9,000,000.00	R 9,000,000.00	0
Refurbishment (%)			0			R 9,000,000.00	R 0.00	

OXIDATION PONDS

Capacity (ML/d)	0	0.80	0.00	0.00 0.00 0.00		R 2,000,000.00	R 0.00	0
Refurbishment (%)			0			R 2,000,000.00	R 0.00	

SUB-TOTAL

							R 29,026,000.00	
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TOTAL (Incl VAT & Prof Fees)

							R 37,821,250.00	
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THABO MOFUTSANYANE DISTRICT MUNICIPALITY

NKETOANA LOCAL MUNICIPALITY

NTHA - LINDLEY

WATER & SANITATION BACKLOG ASSESSMENTS AS AT 31 MARCH 2011

STANDS

Town	Existing	Approved (Greenfields)	Accepted (y/n)	Formalized
Ntha	3666	0	N	3666
Lindley				480

WATER

Communal Water Purification Plant	Y	
Communal Bulk Supply to Reticulation reservoirs	Y	
Communal Reticulation Reservoirs	Y	
Communal Supply to Reticulation Networks	N	

Water Purification								
Description	Current	Need	Backlog	Capacity	Length	Rate	Costs	<RDP Stds
Capacity (Ml/d)	3.46	3.86	0.40	0.50 0.00 0.00		R 6,000,000.00	R 3,000,000.00	
Refurbishment (%)			5			R 6,000,000.00	R 1,038,000.00	
Bulk Supply dia (m)	0.20	0.24	0.14		1800	R 300.00	R 540,000.00	
Hard rock adjustment (%)			50			R 300.00	R 270,000.00	
Water Reticulation (1m deep)								
Description	Current	Need	Backlog	Capacity	Length	Rate	Costs	<RDP Stds
Reservoir capacity (Ml)	4.85	6.43	1.58	2.00 0.00 0.00		R 2,000,000.00	R 4,000,000.00	
Internal Supply dia (m)	0.20	0.36	0.30		2050	R 865.00 R 0.00	R 1,773,250.00 R 0.00	
Hard rock adjustment (%)			60			R 300.00	R 369,000.00	
Water network (stands)	3666	3666	0			R 2,100.00	R 0.00	
Hard rock adjustment (%)			0			R 300.00	R 0.00	
Metered standpipes (no)	3666	3666	0			R 1,100.00	R 0.00	
Water meters (no)	300	3666	3366			R 550.00	R 1,851,300.00	
Rising main dia (m)	0.15	0.15	0.00		1500	R 0.00	R 0.00	
SUB-TOTAL							R 12,841,550.00	

SANITATION								
Communal Outfall Sewer							N	
Communal Rising Main (and pump stations)							Y	
Communal Waste Water Treatment Works							Y	
Waterborne Sewer (2m deep main, 1,5m deep erf connection)								
Description	Current	Need	Backlog	Capacity	Length	Rate	Costs	<RDP Stds
Sewer network (stands)	3666	3666	0			R 2,475.00	R 0.00	
Hard rock adjustment (%)			0			R 600.00	R 0.00	
Erf connections (stands)	3666	3666	0			R 3,795.00	R 0.00	
Hard rock adjustment (%)			0			R 450.00	R 0.00	
Toilet structures	3666	3666	0			R 7,500.00	R 0.00	
Outfall sewer dia (m)	0.00	0.40	0.40		0	R 1,300.00 R 0.00	R 0.00 R 0.00	
Hard rock adjustment (%)			0			R 600.00	R 0.00	
Pump station No 1								
Description	Current	Need	Backlog	Capacity	Length	Rate	Costs	<RDP Stds
Number	1	1	0			R 1,000,000.00	R 0.00	
Refurbishment (%)			10			R 1,000,000.00	R 100,000.00	
Rising main dia (m)	0.15	0.20	0.13		3000	R 300.00	R 900,000.00	
Hard rock adjustment (%)			50			R 300.00	R 450,000.00	



Pump station No 2								
Number	1	1	0			R 1,000,000.00	R 0.00	
Refurbishment (%)			10			R 1,000,000.00	R 100,000.00	
Rising main dia (m)	0.20	0.20	0.02		2000	R 200.00	R 400,000.00	
Hard rock adjustment (%)			50			R 300.00	R 300,000.00	
Pump station No 3								
Number	1	1	0			R 1,000,000.00	R 0.00	
Refurbishment (%)			10			R 1,000,000.00	R 100,000.00	
Rising main dia (m)	0.20	0.20	0.02		2500	R 200.00	R 500,000.00	
Hard rock adjustment (%)			50			R 300.00	R 375,000.00	
Waste water treatment works								
Description	Current	Need	Backlog	Capacity	Length	Rate	Costs	<RDP Stds
PURIFICATION PLANTS								
Capacity (MI/d)	3.00	2.19	0.00	0.00 0.00 0.00		R 9,000,000.00	R 9,000,000.00	0
Refurbishment (%)			0			R 9,000,000.00	R 1,350,000.00	
OXIDATION PONDS								
Capacity (MI/d)	0	2.19	0.00	0.00 0.00 0.00		R 2,000,000.00	R 0.00	0
Refurbishment (%)			0			R 2,000,000.00	R 0.00	
SUB-TOTAL							R 4,575,000.00	
TOTAL (Incl VAT & Prof Fees)							R 17,416,550.00	

THABO MOFUTSANYANE DISTRICT MUNICIPALITY NKETOANA LOCAL MUNICIPALITY MAMAFUBEDU - PETRUS STEYN WATER & SANITATION BACKLOG ASSESSMENTS AS AT 31 MARCH 2011								
STANDS								
Town	Existing	Approved (Greenfields)				Accepted (y/n)	Formalized	
Mamafubedu	2391	1600				N	2391	
Petrus Steyn							506	
WATER								
Communal Water Purification Plant						Y		
Communal Bulk Supply to Reticulation reservoirs						Y		
Communal Reticulation Reservoirs						Y		
Communal Supply to Reticulation Networks						N		
Water Purification								
Description	Current	Need	Backlog	Capacity	Length	Rate	Costs	<RDP Stds
Capacity (MI/d)	999.00	2.79	0.00	0.00 0.00 0.00		R 6,000,000.00	R 3,000,000.00	
Refurbishment (%)			0			R 6,000,000.00	R 0.00	
Bulk Supply dia (m)	0.15	0.21	0.14		35000	R 300.00	R 10,500,000.00	
Hard rock adjustment (%)			50			R 300.00	R 5,250,000.00	

Water Reticulation (1m deep)								
Description	Current	Need	Backlog	Capacity	Length	Rate	Costs	<RDP Stds
Reservoir capacity (Ml)	0.90	4.66	3.76	0.00 0.40 0.00		R 2,000,000.00	R 8,000,000.00	
Internal Supply dia (m)	0.15	0.29	0.25		1000	R 575.00 R 0.00	R 575,000.00 R 0.00	
Hard rock adjustment (%)			50			R 300.00	R 150,000.00	
Water network (stands)	2391	2391	0			R 2,100.00	R 0.00	
Hard rock adjustment (%)			0			R 300.00	R 0.00	
Metered standpipes (no)	2391	2391	0			R 1,100.00	R 0.00	
Water meters (no)	1195	2391	1196			R 550.00	R 657,800.00	
SUB-TOTAL							R 25,132,800.00	

SANITATION								
Communal Outfall Sewer							N	
Communal Rising Main (and pump stations)							N	
Communal Waste Water Treatment Works							Y	
Waterborne Sewer (2m deep main, 1,5m deep erf connection)								
Description	Current	Need	Backlog	Capacity	Length	Rate	Costs	<RDP Stds
Sewer network (stands)	2391	2391	0			R 2,475.00	R 0.00	
Hard rock adjustment (%)			0			R 600.00	R 0.00	
Erf connections (stands)	2391	2391	0			R 3,795.00	R 0.00	
Hard rock adjustment (%)			0			R 450.00	R 0.00	
Toilet structures	2391	2391	0			R 7,500.00	R 0.00	
Outfall sewer dia (m)	0.00	0.30	0.30		0	R 950.00 R 0.00	R 0.00 R 0.00	
Hard rock adjustment (%)			0			R 600.00	R 0.00	
Pump stations								
Description	Current	Need	Backlog	Capacity	Length	Rate	Costs	<RDP Stds
Number	1	1	0			R 1,000,000.00	R 0.00	
Refurbishment (%)			10			R 1,000,000.00	R 100,000.00	
Rising main dia (m)	0.2	0.15	0.00		800	R 0.00	R 0.00	
Hard rock adjustment (%)			0			R 300.00	R 0.00	
Waste water treatment works								
Description	Current	Need	Backlog	Capacity	Length	Rate	Costs	<RDP Stds
PURIFICATION PLANTS								
Capacity (Ml/d)	2.42	1.58	0.00	0.00 0.00 0.00		R 9,000,000.00	R 0.00	
Refurbishment (%)			8			R 9,000,000.00	R 1,633,500.00	
OXIDATION PONDS								
Capacity (Ml/d)	0	1.58	0.00	0.00 0.00 0.00		R 2,000,000.00	R 0.00	0
Refurbishment (%)			0			R 2,000,000.00	R 0.00	
SUB-TOTAL							R 1,733,500.00	
TOTAL (Incl VAT & Prof Fees)							R 26,866,300.00	

**THABO MOFUTSANYANE DISTRICT MUNICIPALITY
NKETOANA LOCAL MUNICIPALITY
PETSANA – REITZ
WATER & SANITATION BACKLOG ASSESSMENTS AS AT 31 MARCH 2011**

STANDS

Town	Existing	Approved (Greenfields)	Accepted (y/n)	Formalized
Petsana	3795	1400	N	3795
Reitz				1300
Mamafubedu	2391	1600	N	2391
Petrus Steyn				506

WATER

Communal Water Purification Plant	Y	
Communal Bulk Supply to Reticulation reservoirs	Y	
Communal Reticulation Reservoirs	Y	
Communal Supply to Reticulation Networks	N	

Water Purification

Description	Current	Need	Backlog	Capacity	Length	Rate	Costs	<RDP Stds
Capacity (MI/d)	15.00	7.95	0.00	0.00 0.00 0.00		R 6,000,000.00	R 0.00	
Refurbishment (%)			2.5			R 6,000,000.00	R 2,250,000.00	
Bulk Supply dia (m)	0.37	0.28	0.00		18000	R 0.00	R 0.00	
Hard rock adjustment (%)			0			R 300.00	R 0.00	

Water Reticulation (1m deep)

Description	Current	Need	Backlog	Capacity	Length	Rate	Costs	<RDP Stds
Reservoir capacity (MI)	16.50	8.58	0.00	0.00 0.00 0.00		R 2,000,000.00	R 0.00	
Internal Supply dia (m)	0.25	0.37	0.27		3000	R 865.00 R 0.00	R 2,595,000.00 R 0.00	
Hard rock adjustment (%)			40			R 300.00	R 360,000.00	
Water network (stands)	3795	3795	0			R 2,100.00	R 0.00	
Hard rock adjustment (%)			0			R 300.00	R 0.00	
Metered standpipes (no)	3795	3795	0			R 1,100.00	R 0.00	0
Water meters (no)	3715	3795	80			R 550.00	R 44,000.00	
SUB-TOTAL							R 5,249,000.00	

SANITATION

Communal Outfall Sewer	Y	
Communal Rising Main (and pump stations)	Y	
Communal Waste Water Treatment Works	Y	

Waterborne Sewer (2m deep main, 1,5m deep erf connection)								
Description	Current	Need	Backlog	Capacity	Length	Rate	Costs	<RDP Stds
Sewer network (stands)	3675	3795	120			R 2,475.00	R 297,000.00	
Hard rock adjustment (%)			60			R 600.00	R 194,400.00	
Erf connections (stands)	3675	3795	120			R 3,795.00	R 455,400.00	120
Hard rock adjustment (%)			40			R 450.00	R 205,200.00	
Toilet structures	3675	3795	120			R 7,500.00	R 900,000.00	
Outfall sewer dia (m)	0.20	0.45	0.40		500	R 1,300.00 R 0.00	R 650,000.00 R 0.00	
Hard rock adjustment (%)			70			R 600.00	R 210,000.00	
Pump stations								
Description	Current	Need	Backlog	Capacity	Length	Rate	Costs	<RDP Stds
Number	2	2	0			R 1,000,000.00	R 0.00	
Refurbishment (%)			10			R 1,000,000.00	R 200,000.00	
Rising main dia (m)	0.20	0.23	0.11		9000	R 300.00	R 2,700,000.00	
Hard rock adjustment (%)			50			R 300.00	R 1,350,000.00	
Waste water treatment works								
Description	Current	Need	Backlog	Capacity	Length	Rate	Costs	<RDP Stds
PURIFICATION PLANTS								
Capacity (Ml/d)	10.00	2.87	0.00	0.00 0.00 0.00		R 9,000,000.00	R 0.00	
Refurbishment (%)			2.5			R 9,000,000.00	R 2,250,000.00	
OXIDATION PONDS								
Capacity (Ml/d)	0	2.87	0.00	0.00 0.00 0.00		R 2,000,000.00	R 0.00	
Refurbishment (%)			0			R 2,000,000.00	R 0.00	
SUB-TOTAL							R 9,412,000.00	
TOTAL (Incl VAT & Prof Fees)							R 14,661,000.00	

General Comments - Inhibiting factors on Performance

Roads and Storm water:	-None availability of data and layout plans
Assets:	-Lack of estimation of decay of the infrastructure. -Impact on losses of water from old water pipes -Impact on spillages caused by old sewerage pipes
Housing:	-Shortage of available land for Human Settlement -Delayed approval of Township establishment



2.3 RELATING BACKLOGS TO MUNICIPAL SPENDING ON SERVICE DELIVERY INFRASTRUCTURE

The municipality has spent R 135 500 250 for the past three years on projects that are addressing infrastructure backlogs in the municipality. We made concerted efforts to address the bucket sanitation problems and we have also invested in the upgrading of purification plants for both water and waste water. We anticipate investing more on projects to address all the backlogs we are having as a municipality.

2.4 BUILDING AND ZONING PLANS 20010/2011

Applications outstanding 1 July 2010	Category	Number of new applications received 2010/2011	Total value of applications received in Rand value	Applications outstanding 30 June 2011
3	Residential new	5	6 444.55	
2	Residential additions			
0	Commercial			
0	Industrial			
0	Other (Specify)			

The post of Building Inspector is vacant and the approval of building plans is a problem. Previously the assistance of Dihlabeng Municipality was obtained. This post is a key post that will be considered during coming budgetary cycles.

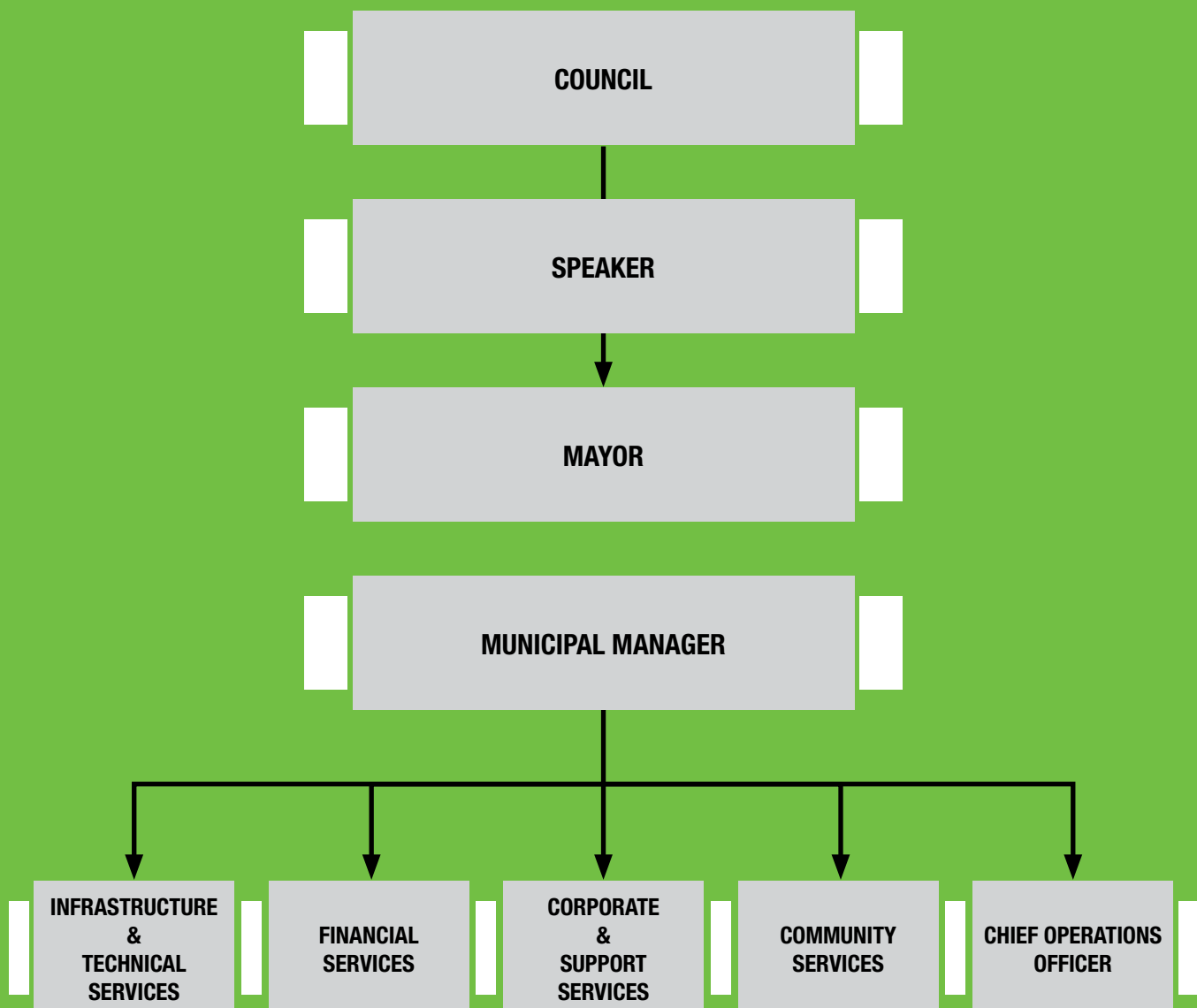


CHAPTER 3



3.1 ORGANISATIONAL STRUCTURES

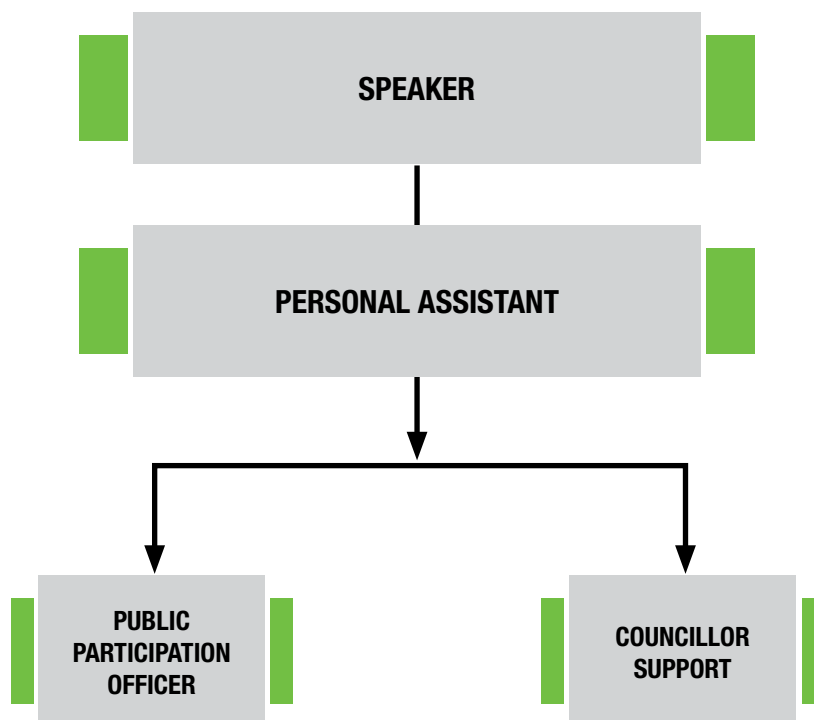
ORGANISATIONAL STRUCTURE OF NKETOANA LOCAL MUNICIPALITY



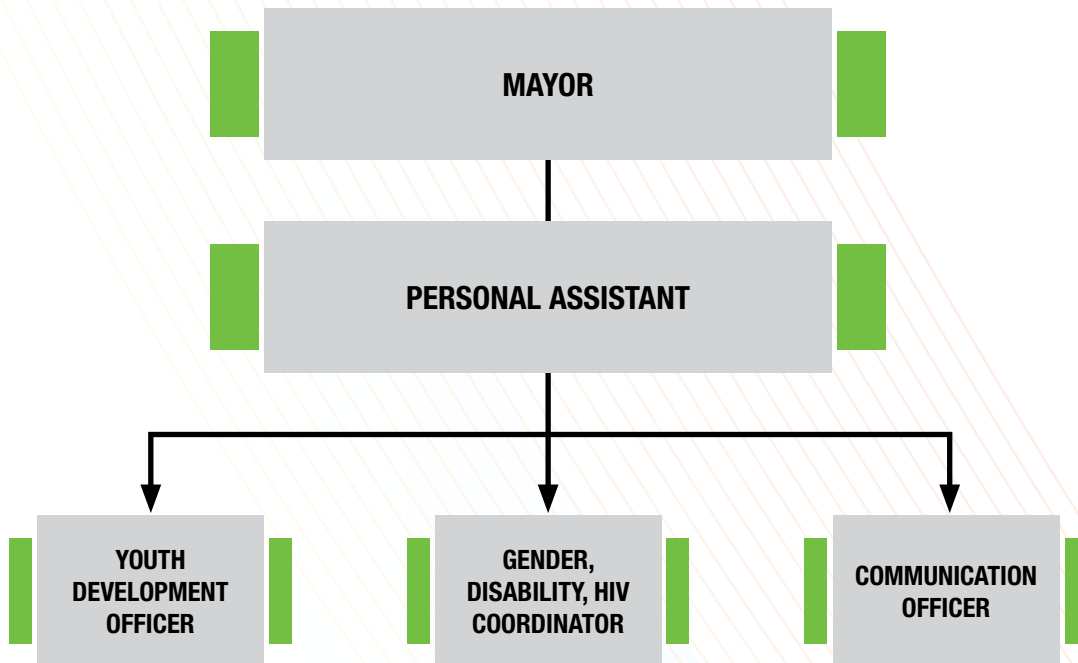


HUMAN RESOURCE AND OTHER ORGANISATIONAL MANAGEMENT

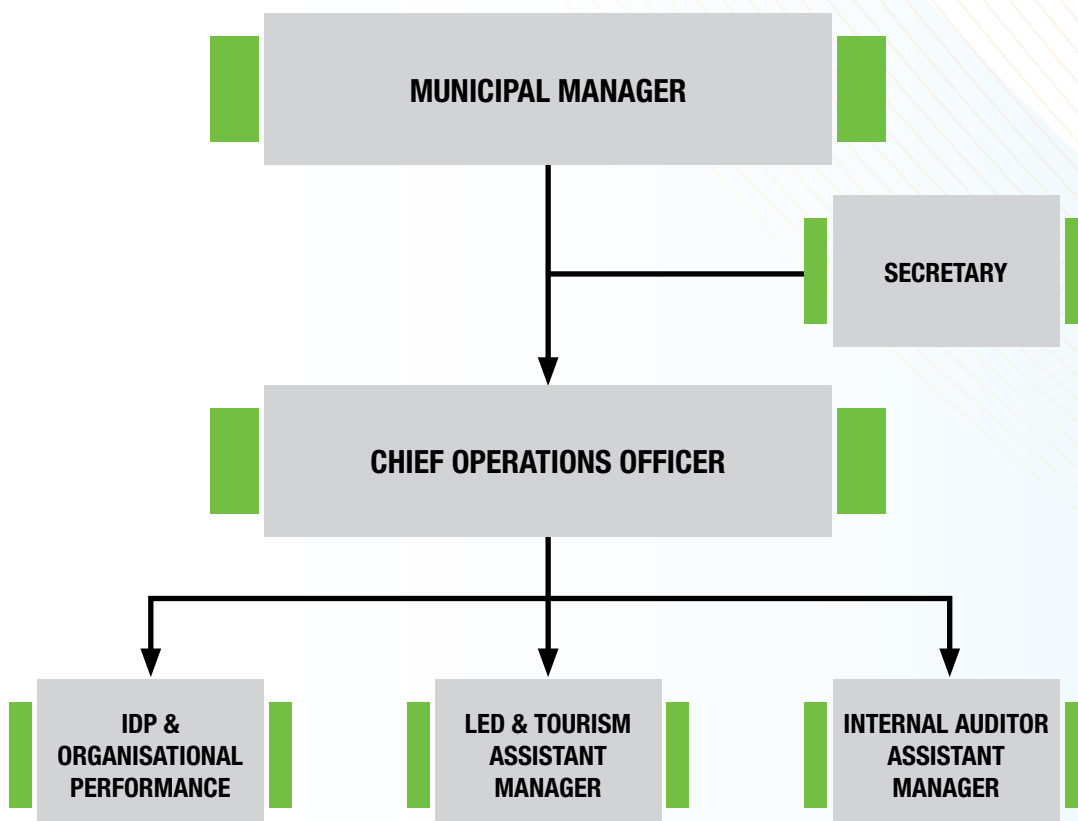
STRUCTURE OF THE OFFICE OF THE SPEAKER



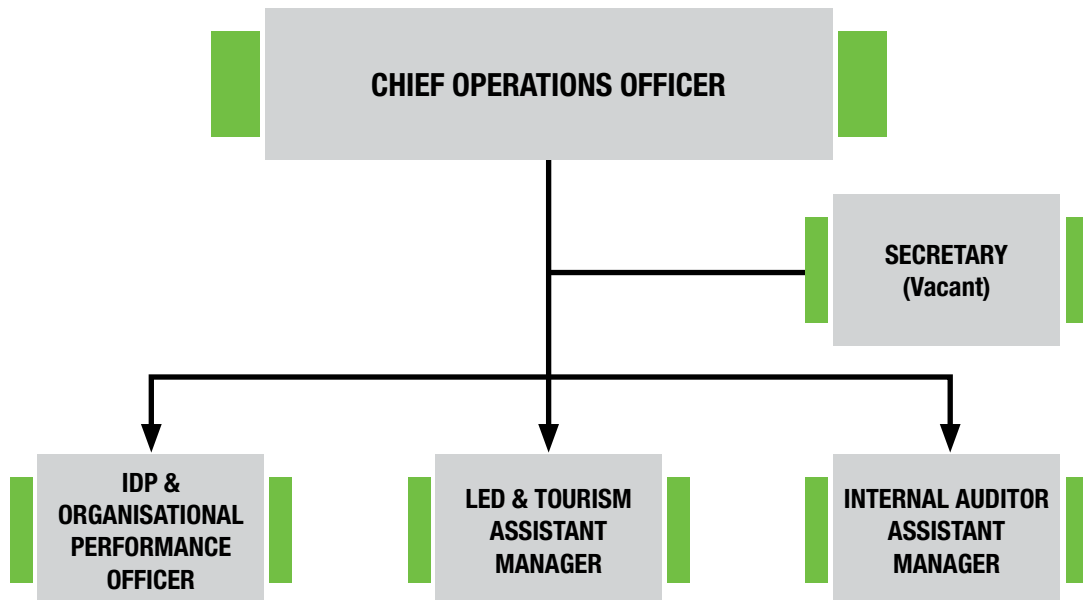
STRUCTURE OF THE OFFICE OF THE MAYOR



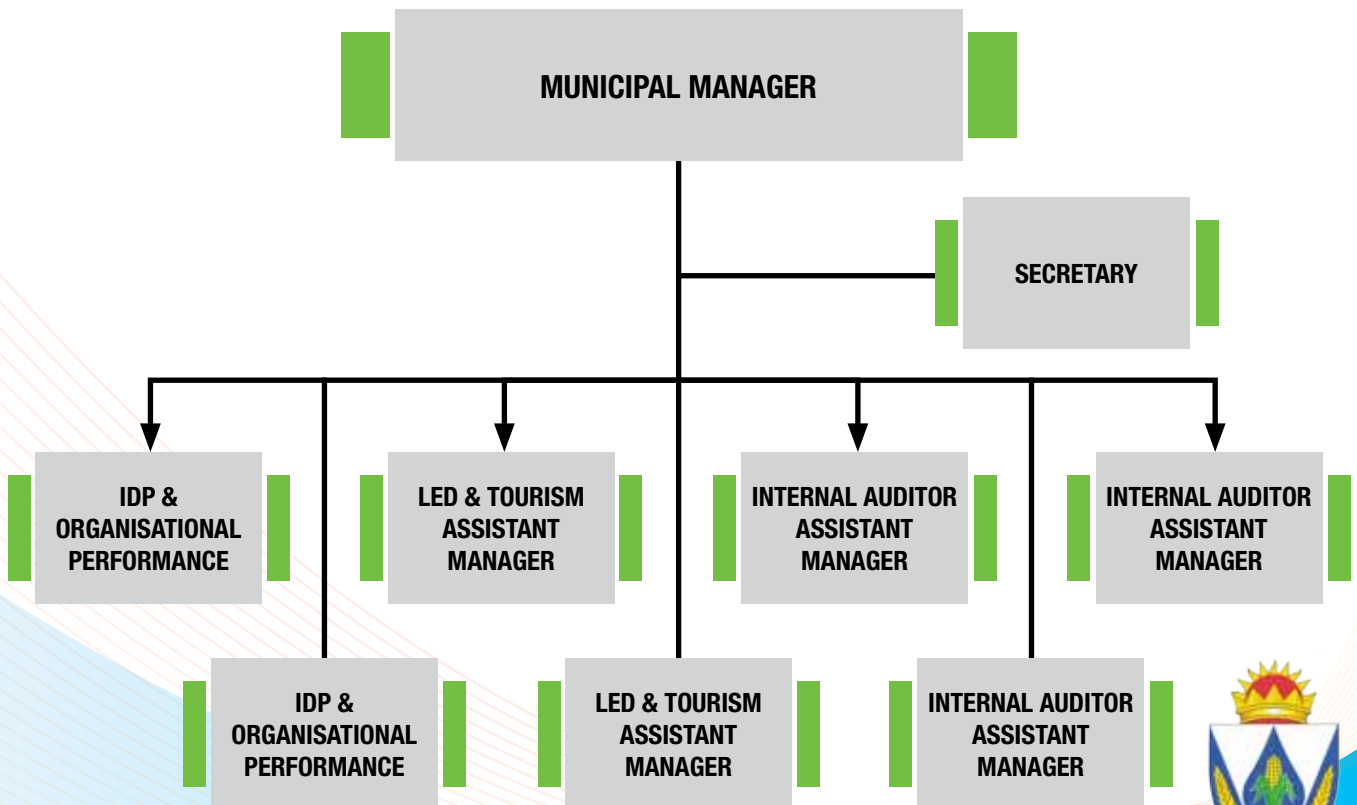
NKETOANA MUNICIPAL ORGANISATIONAL STRUCTURE



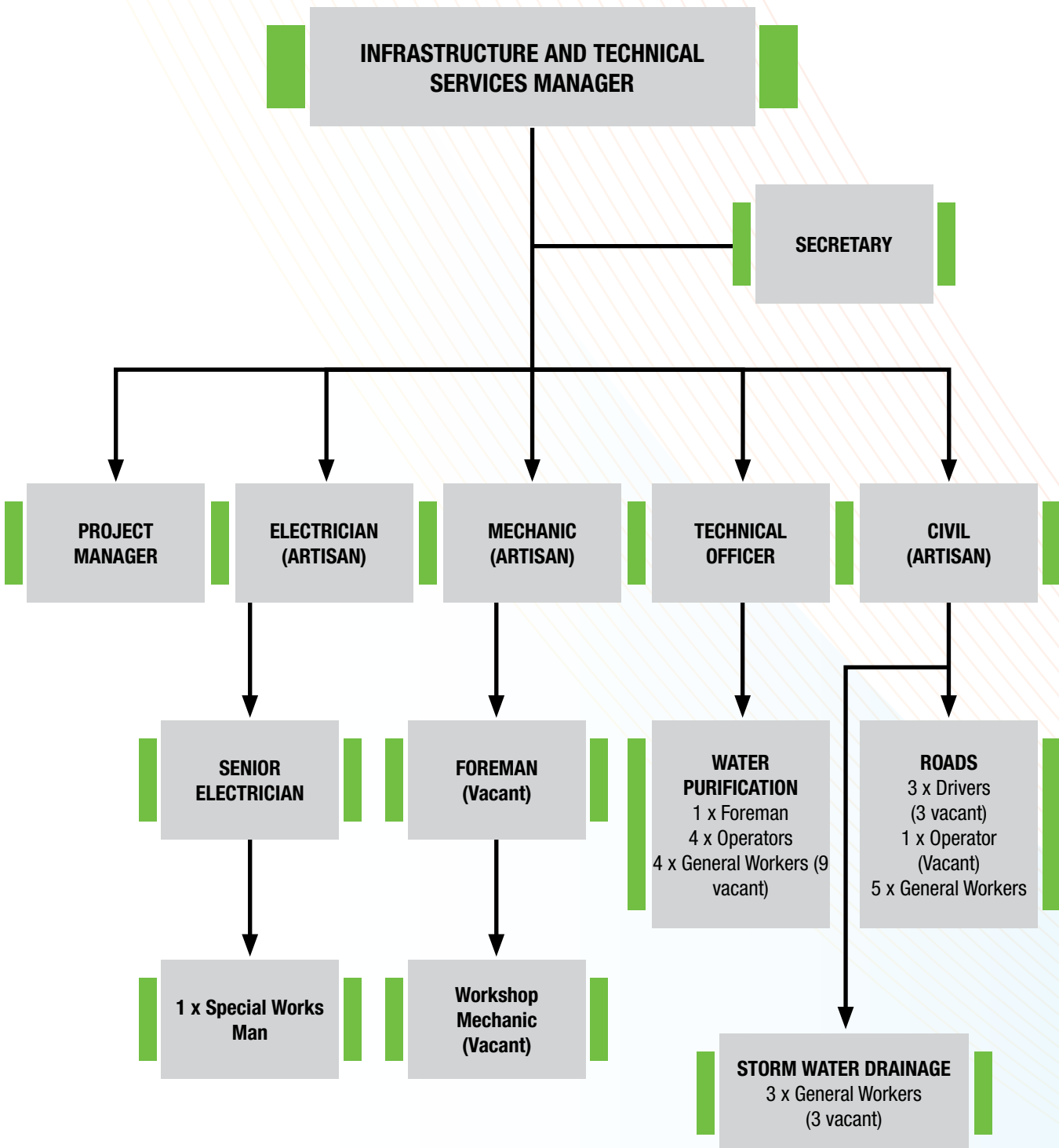
NKETOANA PROPOSED MUNICIPAL ORGANISATIONAL STRUCTURE



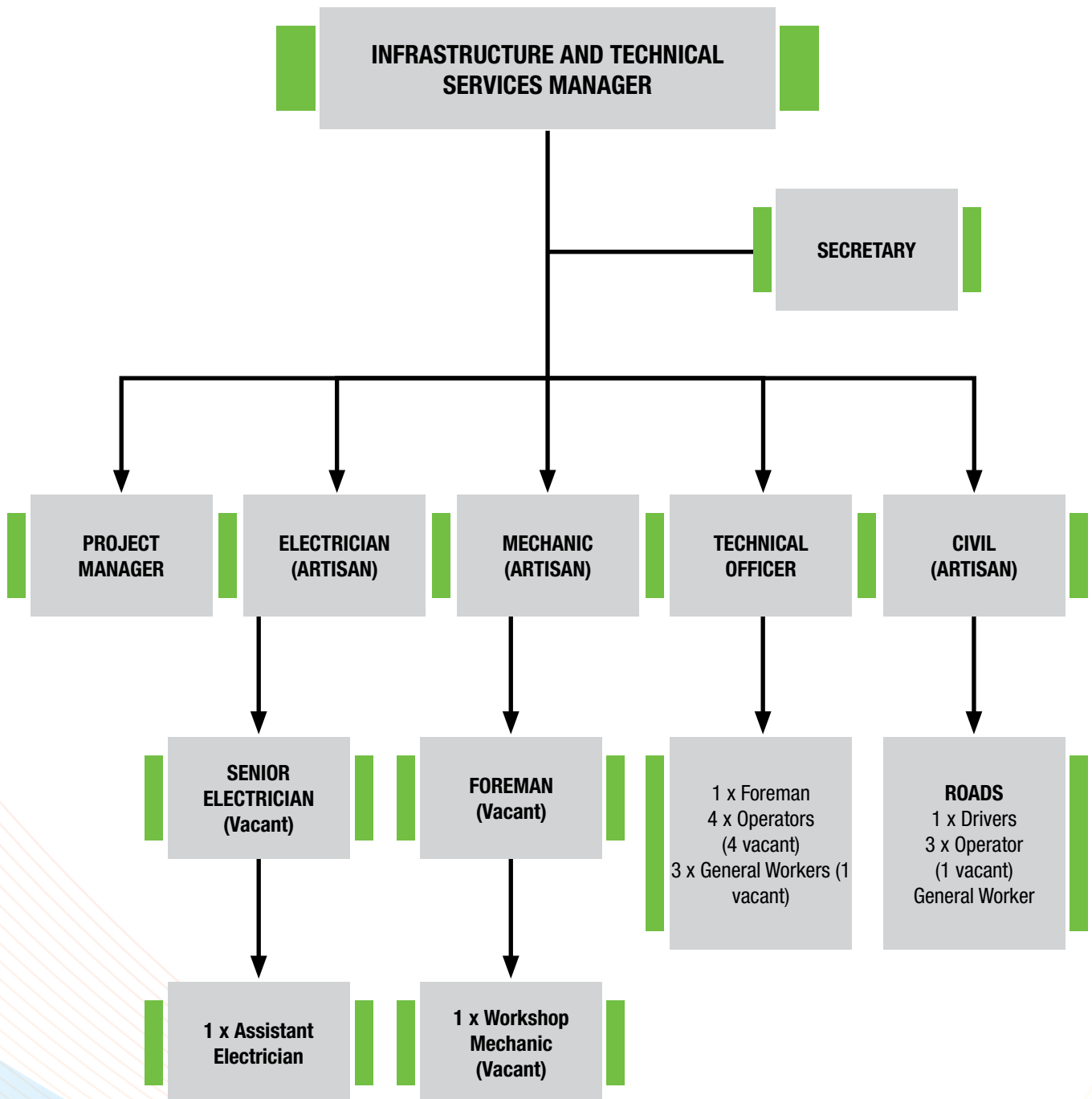
STRUCTURE OF THE INFRASTRUCTURE AND TECHNICAL SERVICES DEPARTMENT



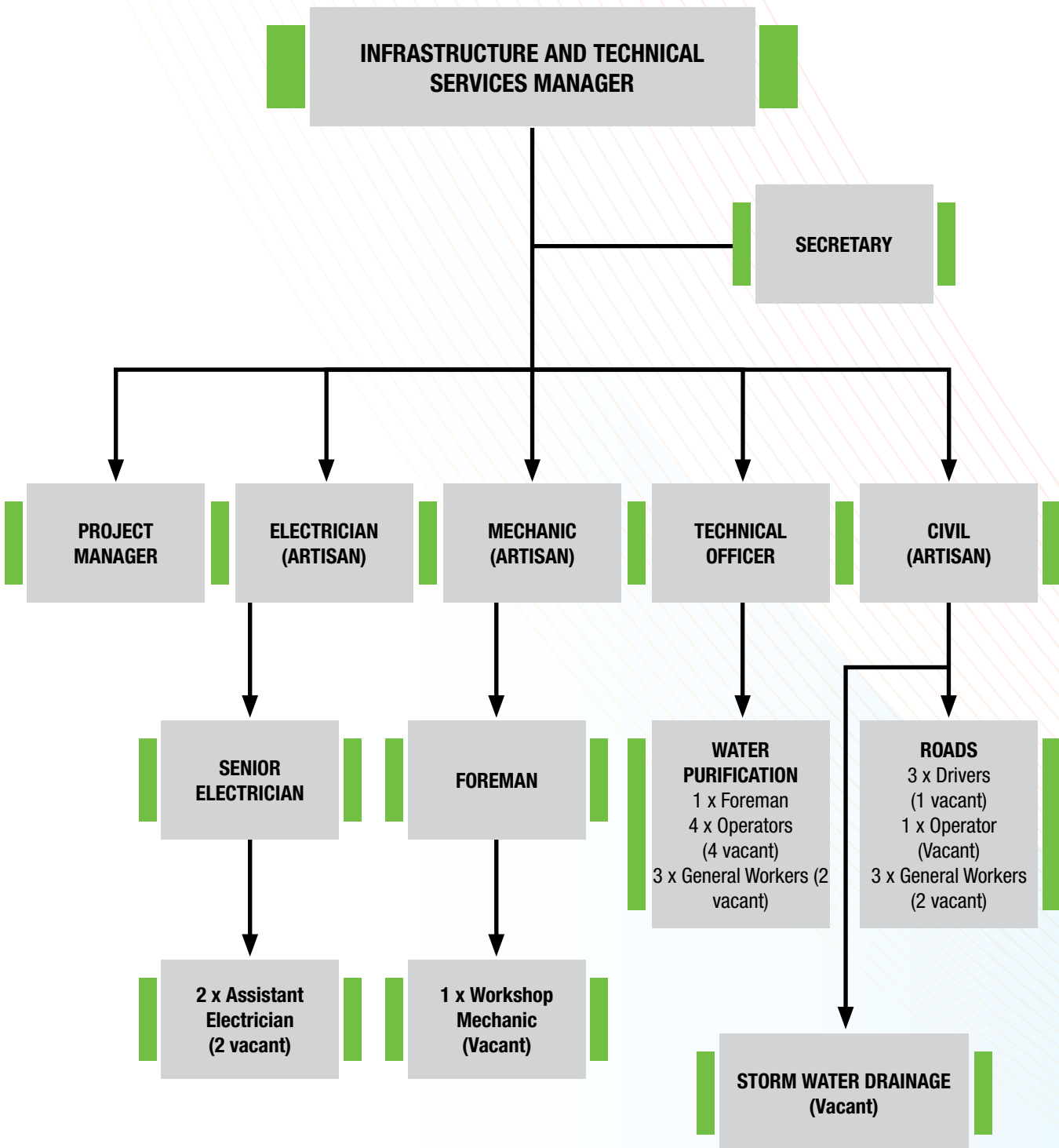
STRUCTURE OF THE INFRASTRUCTURE AND TECHNICAL SERVICES DEPARTMENT (REITZ)



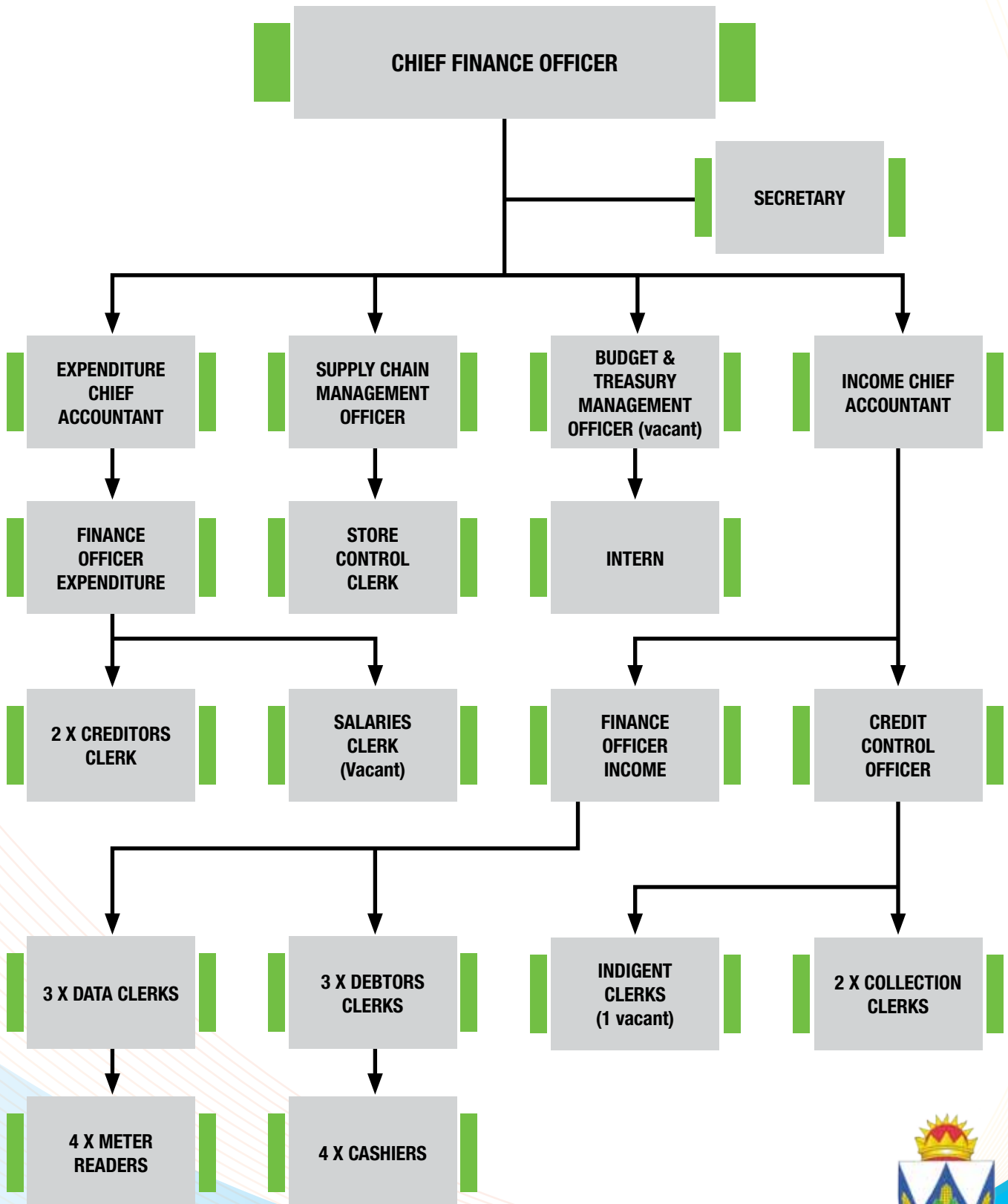
STRUCTURE OF THE INFRASTRUCTURE AND TECHNICAL SERVICES DEPARTMENT (PETRUS STEYN)



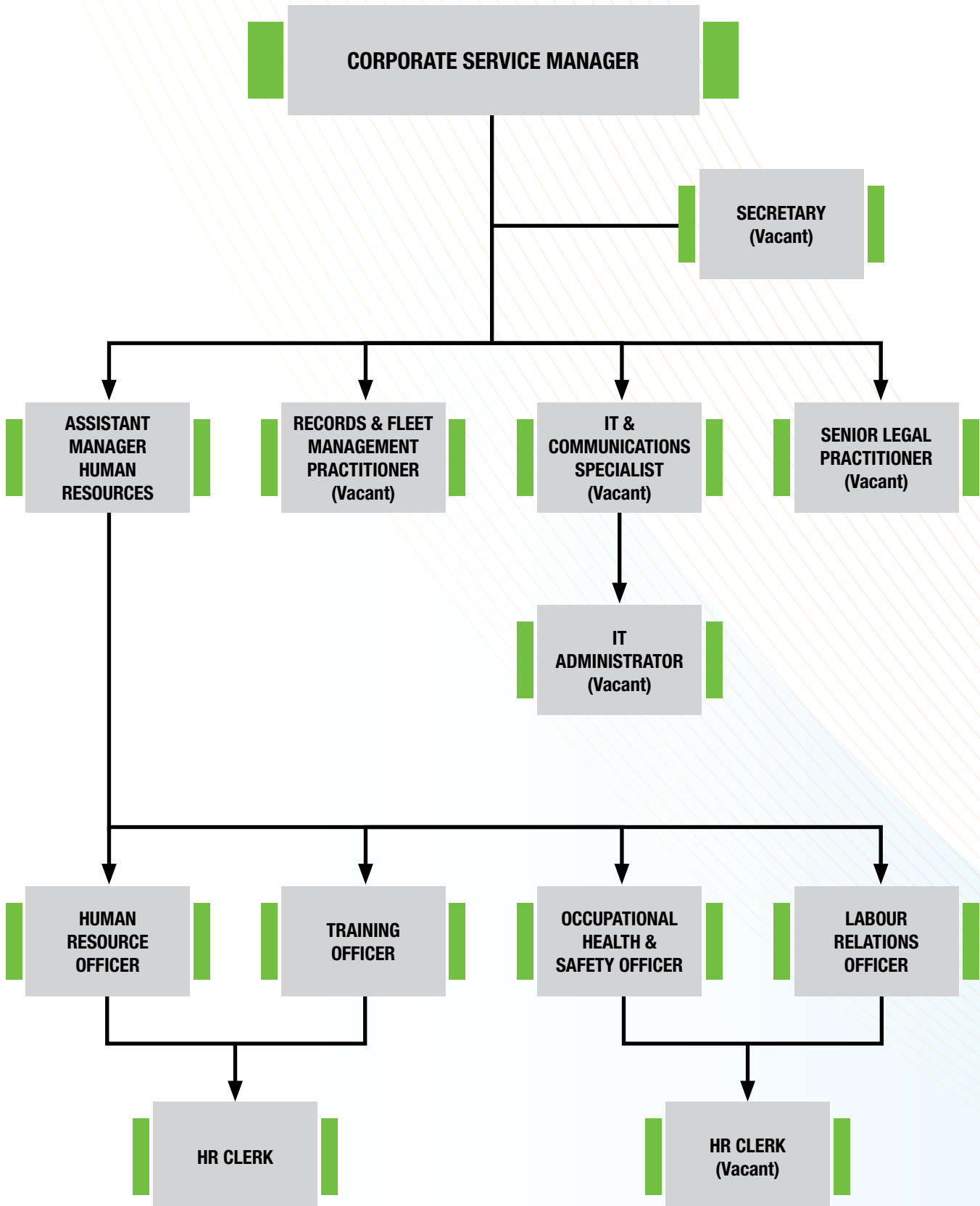
STRUCTURE OF THE INFRASTRUCTURE AND TECHNICAL SERVICES DEPARTMENT (LINDLEY)



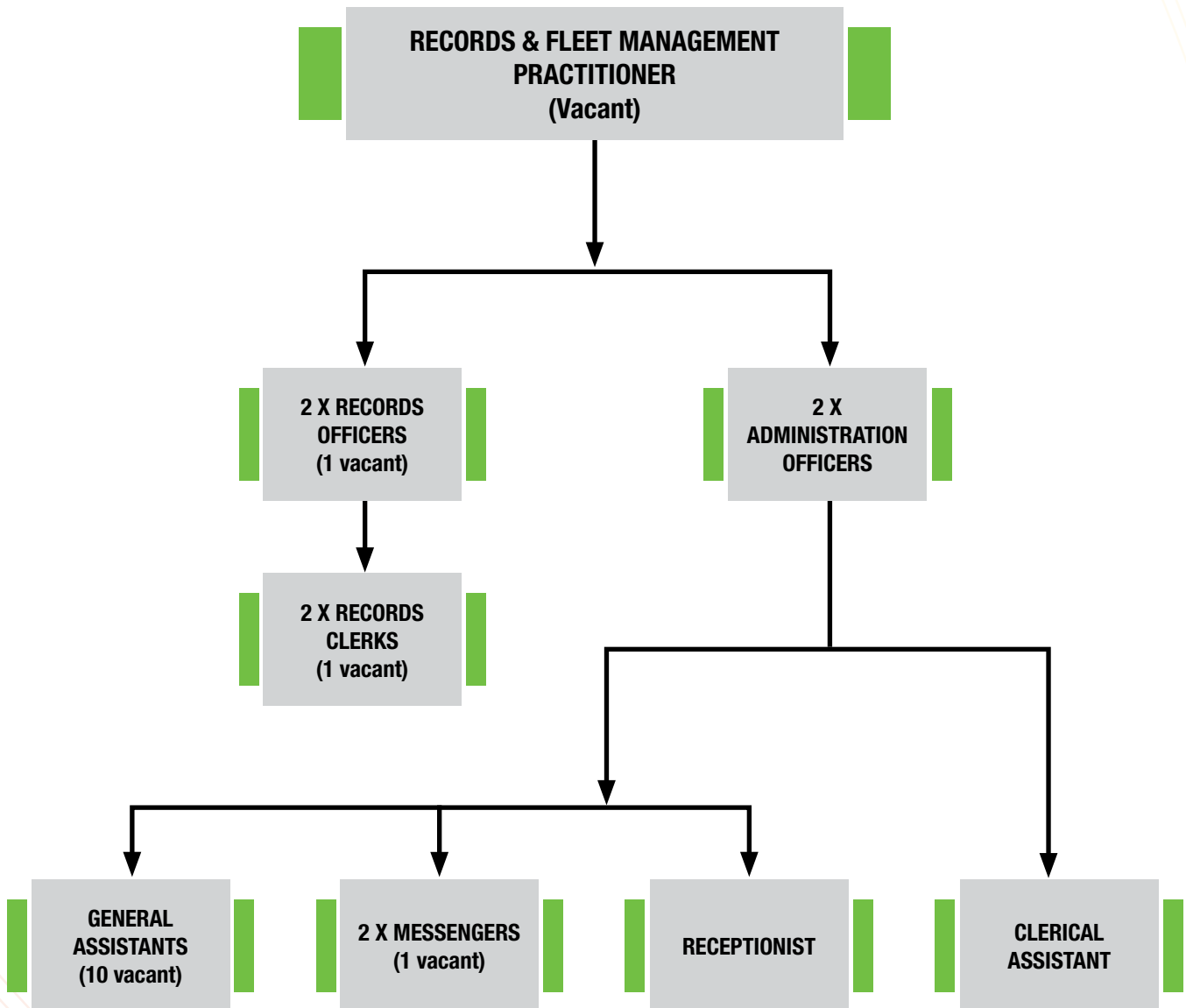
ORGANISATIONAL STRUCTURE OR THE FINANCE DEPARTMENT



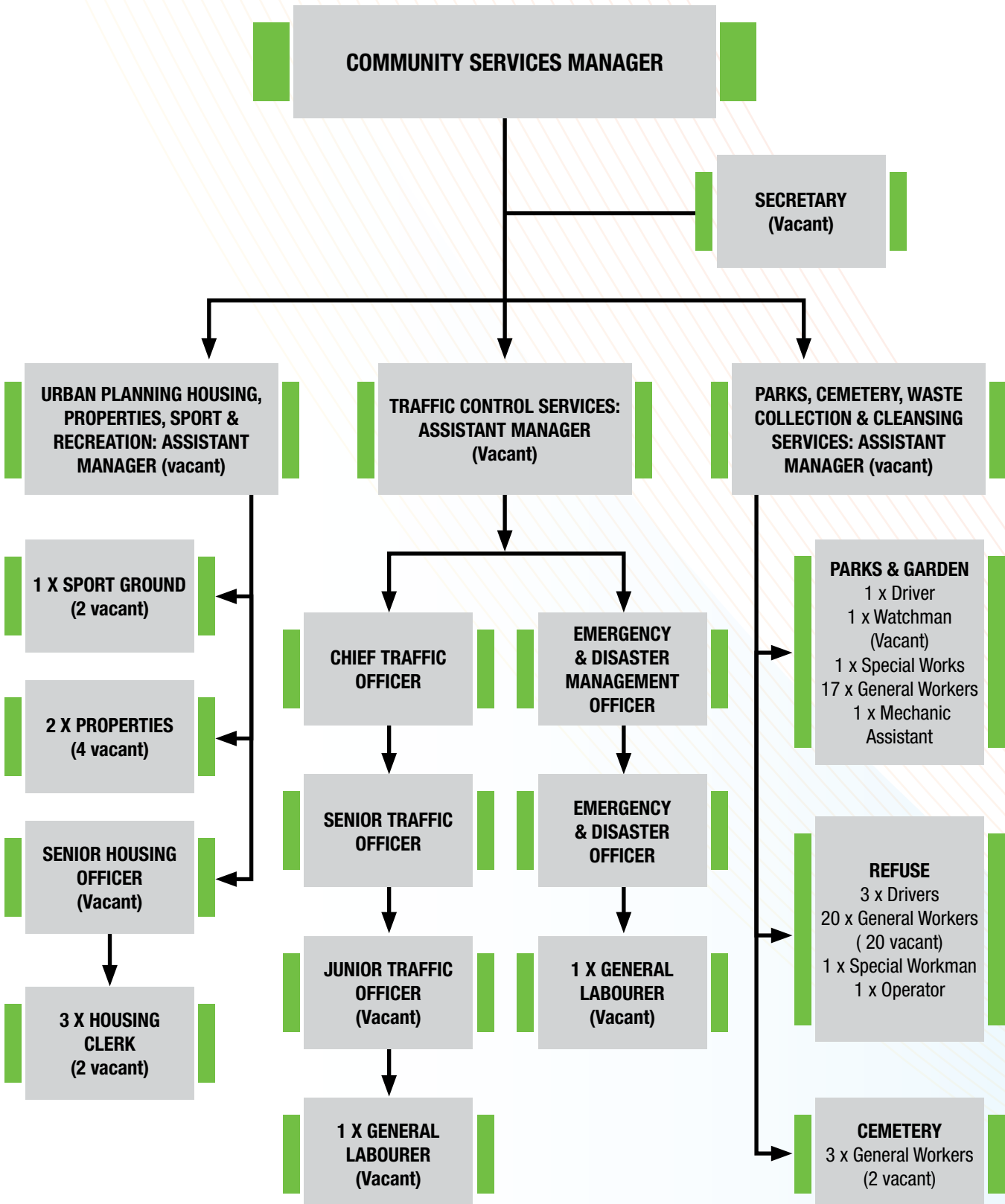
STRUCTURE OF CORPORATE SERVICES



STRUCTURE OF CORPORATE SERVICES CONTINUES



STRUCTURE OF COMMUNITY SERVICES



3.2 COMMENTS ON STAFFING PER DEPARTMENT

3.2.1 GENERAL COMMENTS

The structure needs to be reviewed and adjusted to enable the municipality to comply fully in its mandate of providing services to the community and to fulfil its developmental role in South Africa. The municipality now has the following departments:

Office of the Municipal Manager

Finance

Corporate Services

Community services

Technical and Infrastructure

3.2.2 OFFICE OF THE MUNICIPAL MANAGER

In the Office of the Municipal Manager the post of Chief Operations Officer is releasing much of the pressure in this Office with compliance matters. Due to numeral obligations that keep the Municipal Manager out of office for several days the post is very functional.

3.2.3 DEPARTMENT OF FINANCE

The Department of Finance has filled several posts during the financial year 2010/2011. However there are still key posts that are vacant. The most critical of it is the Supply Chain Management Officer. The Supply Chain Unit is at this stage staffed by only one staff member. The work load is immense and the section sometimes fails to procure necessary items in time.

The Chief Financial Officer is also in a process of improving and developing the qualifications of the employees in his department. Relevant training and courses are attended by all employment levels.

3.2.4 DEPARTMENT OF CORPORATE SERVICES

The post of the Head of this department, the Manager of Corporate Services is not filled. This is a Section 57 post. At this stage the Assistant Manager Human Resources is acting also as Head of the Department Corporate Services. The delay in appointment of a section 57 manager

is due to the termination of service of the previous manager. There are still unsettled labour issues regarding this matter.

In the Human Resources section there is a vacant post for a Assistant Manager Human Resource . At this stage the work load for the existing staff member is immense and the filling of this post will ensure that the important section of Human Resource records and administration will function as intended to.

3.2.5 DEPARTMENT OF INFRASTRUCTURE AND TECHNICAL SERVICES

The post of the Head of this department, the Manager of Infrastructure and Technical Services is vacant. This is a Section 57 post. At this stage the CFO is acting also in this capacity. There is a delay in appointment of this post due to the lack of a suitable candidate.. The Municipal Manager obtained a person from DBSA to assist, but the person is not fully functioning as the head of the department. At this stage the CFO is acting as the Head of the department.

There are several key posts still vacant on the level of artisans. These people are in a category of very scarce skills. It is envisaged that the only way to fill these posts with competent people will be to go the route of headhunting to fill the posts ultimately.

In this department there are also several vacancies regarding general worker posts. The reason for delay of appointments in these posts is a pending labour issue. The municipality used for several years contract workers in these posts that were rotating on a basis of two weeks. They were seen as temporary workers and were never permanently appointed. This practice resulted in a labour dispute. The outcome of the action was an agreement between Labour and Management that the workers involved will be appointed permanently and the surplus workers will be paid an amount as determined by the Labour Court. This process is in progress and will only be completed in the coming financial year.



3.2.5 DEPARTMENT OF COMMUNITY SERVICES

In this department there are key posts not filled. The Manager Community Services, a Section 57 post, is vacant. The COO is acting as head of the department. The only section where a risk can occur is in the Housing section. A senior staff member left the service of the municipality and others, due to seriousness of their health problems, are not fit to hold office. However, the clerks left in the section are coping well and the work still flows.

3.3 DISCLOSURES CONCERNING REMUNERATION OF COUNCILLORS AND SENIOR OFFICIALS FOR THE PERIOD 1 JULY 2010 – 30 JUNE 2011

DESCRIPTION	MAYOR	SPEAKER	4 EXCO MEMBERS	MUNICIPAL MANAGER	CHIEF FINANCIAL OFFICER
Salaries					
Normal	687 701.25	519 116.59	1 112 149.84	595 873.92	539 099.04
Overtime	N/A	N/A	N/A	N/A	N/A
Contributions					
Pension	N/A				1 467.36
Medical Aid	N/A		N/A	1 497.36	
Other	N/A	N/A	N/A	N/A	
Allowances					
Travel and motor car					
Accommodation	N/A	N/A	N/A	397 419 .26	149 767.61
Subsistence	N/A	N/A	N/A		
Housing	N/A	N/A	N/A		
Telephone					
Loans and Advances	N/A	N/A	N/A	N/A	N/A
Other Benefits	N/A	N/A	N/A	N/A	N/A
Arrears Owed	N/A	N/A	N/A	N/A	N/A
TOTAL	687 701.25	519 116.59	1 112 149.84	994 790.54	690 364.01

DESCRIPTION	MANAGER COMMUNITY SERVICES	MANAGER CORPORATE SERVICES	MANAGER INFRA STRUCTURE AND TECHNICAL SERVICES	CHIEF OPERATIONS OFFICER
Salaries				
Normal	VACANT	558 299.04	VACANT	531 899.04
Overtime		N/A		N/A
Contributions				
Pension	N/A	1 497.36	N/A	1 497.36
Medical Aid			N/A	N/A
Other	N/A		N/A	N/A
Allowances				
Travel and motor car	N/A	7 302.65	N/A	158 238.24
Accommodation	N/A		N/A	
Subsistence	N/A		N/A	
Housing	N/A		N/A	
Telephone	N/A		N/A	
Loans and Advances	N/A	N/A	N/A	
Other Benefits	N/A	42 000.00	N/A	24 000.00
Arrears Owed	N/A	N/A	N/A	
TOTAL	VACANT	674 839.05	VACANT	715 634.64



CHAPTER 4



4.1 AUDIT REPORT 2010/2011

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Nketoana Local Municipality, which comprise the statement of financial position as at 30 June 2011, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory information, as set out on pages 39 to 109.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and in the manner required by the Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2010 (Act No. 1 of 2010) (DoRA) and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. As required by section 188 of the Constitution of South Africa, 1996 (Act No. 108 of 1996) and section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on my audit.

4. I conducted my audit in accordance with International Standards on Auditing and General Notice 1111 of 2010 issued in Government Gazette 33872 of 15 December 2010. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

7. In my opinion the financial statements present fairly, in all material respects, the financial position of the Nketoana Local Municipality as at 30 June 2011 and its financial performance and cash flows for the year then ended, in accordance with the South African Standards of Generally Recognised Accounting Practices and the requirements of the MFMA.



AUDITED STATEMENTS & RELATED FINANCIAL INFORMATION

Emphasis of matters

I draw attention to the matters below. My opinion is not modified in respect of these matters.

Restatement of corresponding figures

8. As disclosed in note 32 to the financial statements, the corresponding figures for 30 June 2010 have been restated as a result of errors discovered during the 2010-11 financial year in the financial statements of the Nketoana Local Municipality at, and for the year ended, 30 June 2010.

Unauthorised expenditure

9. As disclosed in note 35 to the financial statements, unauthorised expenditure to the amount of R 91 976 261 was incurred, as the municipality had exceeded its total budget for the year ended 30 June 2011.

Irregular expenditure

10. As disclosed in note 37 to the financial statements, irregular expenditure to the amount of R7 642 643 was incurred, which was mainly due to non-compliance with the supply chain management requirements in respect of expenditure transactions.

Material impairments

11. The municipality made a debt impairment provision of R88 618 401 for non-indigent doubtful debts, as disclosed in the balance of the debt impairment in note 9 to the financial statements, due to poor collection practices.

Additional matter

I draw attention to the matter below. My opinion is not modified in respect of this matter.

Unaudited supplementary schedules

12. The supplementary information set out on pages 110 to 113 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

13. In accordance with the PAA and in terms of General Notice 1111 of 2010, issued in Government Gazette 33872 of 15 December 2010, I include below my findings on the annual performance report as set out on pages 120 to 140 and material non-compliance with laws and regulations applicable to the municipality.

Predetermined objectives

Presentation of information

14. The reported performance against predetermined objectives was deficient in respect of the following criteria:
 - Performance against predetermined objectives was not reported using the National Treasury guidelines.



The following audit finding relates to the above criteria:

Measures taken to improve performance were not explained in the report on predetermined objectives (Presentation)

15. Adequate measures taken to improve performance were not included in the performance report, as required in terms of section 46(1)(c) of the Municipal Systems Act of South Africa, 2000 (Act No. 32 of 2000) (MSA). In total, 75% of the selected objectives where improvement is required were not explained.

Usefulness of information

16. The reported performance information was deficient in respect of the following criteria:

- Measurability: The indicators are not verifiable and targets are not specific, measurable and time bound.

The following audit findings relate to the above criteria:

Planned and reported targets are not time bound

17. The planned targets were not time bound in specifying the time period or deadline for delivery in 98% of instances.

Planned and reported targets are not specific

18. The planned targets were not specific in clearly identifying the nature and the required level of performance in more than 92% of instances.

Planned and reported indicators are not verifiable

19. Valid performance management processes and systems that produce actual performance against the planned indicators did not exist for 79% of the indicators.

Planned and reported targets are not measurable

20. The planned targets were not measurable in identifying the required performance in more than 31% of instances.

Reliability of information

21. The reported performance information was deficient in respect of the following criteria:

- Validity: The reported performance did not occur and does not pertain to the entity.
- Accuracy: The amounts, numbers and other data relating to reported actual performance have not been recorded and reported appropriately.
- Completeness: All actual results and events that should have been recorded have not been included in the reported performance information.

The following audit findings relate to the above criteria:

The validity, accuracy and completeness of reported performance against targets could not be confirmed as no supporting source information was provided (Reliability)

22. The actual achievements with regard to 72,5% of the selected objectives were not included in the report on predetermined objectives submitted for audit purposes.
23. For the selected programmes, where actual achievements were included in the report, the validity, accuracy and completeness of 100% of the reported targets could not be established as relevant source documentation could not be provided.

Compliance with laws and regulations

Strategic planning and performance management

24. The accounting officer of the municipality did not by 25 January 2011 assess the performance of the municipality during the first half of the financial year, taking into account the municipality's service delivery performance during the first half of the financial year and the service delivery targets and performance indicators set in the service delivery and budget implementation plan, as required by section 72(1)(a)(ii) of the MFMA.

Budgets

25. The municipality incurred expenditure that was not budgeted for to an amount of R 91 976 261, in contravention of section 15 of the MFMA.

Annual financial statements, performance and annual report

26. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements of non-current assets, current liabilities, expenditure, revenue and disclosure items identified by the auditors were subsequently corrected resulting in the financial statements receiving an unqualified audit opinion.
27. The accounting officer did not make the 2009-10 annual report public immediately after the annual report was tabled in the council, as required by section 127(5) of the MFMA.
28. The municipal council did not adopt an oversight report containing the council's comments on the annual report within two months from the date on which the 2009-10 annual report was tabled in the council, as required by section 129(1) of the MFMA.

Audit committees

29. The audit committee did not function as required by section 166 of the MFMA, in that:
 - the audit committee did not advise the council of the municipality on the adequacy, reliability and accuracy of financial reporting and information;
 - the audit committee did not review the annual financial statements; and
 - the audit committee did not meet at least four times a year.
30. The municipality did not appoint and budget for a performance audit committee, nor was another audit committee utilised as the performance audit committee, as required by Municipal Planning and Performance Management Regulation 14.

Internal audit

31. The internal audit unit did not function as required by section 165(2) of the MFMA in that internal audit did not have an approved audit plan for the financial year under review and did not report to the audit committee on the implementation of the internal audit plan.
32. The municipality did not develop and implement mechanisms, systems and processes for auditing the results of performance measurement as part of its internal audit processes, as required by section 45(1)(a) of the MSA and Municipal Planning and Performance Management Regulation 14.
33. The internal auditors of the municipality did not audit the performance measurements on a continuous basis and did not submit quarterly reports on their audits to the municipal manager, as required by Municipal Planning and Performance Management Regulation 14.

Procurement and contract management

34. Goods and services with a transaction value of between R10 000 and R200 000 were procured without obtaining written price quotations from at least three different prospective providers as per the requirements of Supply Chain Management (SCM) regulation 17(a) & (c).
35. Goods and services of a transaction value above R200 000 were procured without inviting competitive bids, as per the requirements of SCM regulation 19(a) and 36(1).
36. The preference point system was not applied in all procurement of goods and services above R30 000, as required by section 2(a) of the Preferential Procurement Policy Framework Act and SCM regulation 28(1)(a).

Human resource management and compensation

37. The municipality did not provide job descriptions for each post in the staff establishment, as required by section 66(1)(b) of the MSA.



Expenditure management

38. The accounting officer did not take reasonable steps to prevent unauthorised expenditure and irregular expenditure, as required by section 62(1)(d) of the MFMA.
39. Money owing by the municipality was not always paid within 30 days of receiving an invoice or statement, as required by section 65(2)(e) of the MFMA.

Revenue management

40. Revenue received by the municipality was not always reconciled at least on a weekly basis, as required by section 64(2)(h) of the MFMA.
41. The credit control and debt collection policy was not implemented, as required by section 96(b) of the MSA.

INTERNAL CONTROL

42. In accordance with the PAA and in terms of General Notice 1111 of 2010, issued in Government Gazette 33872 of 15 December 2010, I considered internal control relevant to my audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the significant deficiencies that resulted in the basis for qualified opinion, the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

Leadership

43. Oversight responsibility regarding financial and performance reporting and compliance and related internal controls was not exercised as sufficient monitoring controls had not been implemented. It resulted in incomplete performance information and material corrections to the financial statements.
44. Effective HR management was not exercised to ensure that there were job descriptions for each post on the staff establishment.

Financial and performance management

45. Proper record keeping was not implemented in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support performance reporting, which resulted in material deficiencies in performance information.
46. Regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information were not prepared, which resulted in material adjustments being made to the financial statements.
47. The review and monitoring of compliance with applicable laws and regulations were not effective, which resulted in significant instances of non-compliance which could have been prevented.

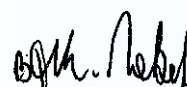
Governance

48. The internal audit unit did not function effectively. This resulted in internal control deficiencies, especially with regard to performance information not being identified and corrective action not being taken.
49. The audit committee did not promote accountability and service delivery by evaluating and monitoring responses to risks and providing oversight of the effectiveness of the internal control environment, including financial and performance reporting and compliance with laws and regulations. This resulted in material non-compliance matters.

OTHER REPORTS

Investigations


50. At the request of the bank, independent forensic auditors are conducting an investigation into alleged fraudulent transactions which occurred on 22 and 25 October 2010 with regard to two bank accounts of the municipality. A charge was laid at a police station and suspects were arrested. The money that was defrauded was partially recovered. The investigation was still ongoing at the reporting date.



Bloemfontein

30 November 2011

4.2 ANNUAL FINANCIAL STATEMENTS 2010/2011



NKETOANA LOCAL MUNICIPALITY
(REGISTRATION NUMBER :DEMARICATION NUMBER:FS 193)
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2011

General Information

Legal form of entity	Local municipality
Nature of business and principal activities	Providing municipal service and maintain the best interests of the local community mainly in the Reitz area.
Mayoral committee	New councillors - (Term started) 18 May 2011 M. Molapisi (Mayor)
Councillors	P. Nkomo (Speaker) M. Malindi (Executive Member) M. Mphaka (Executive member) M. Blignaut (Executive member) M. Moloedi (Executive member) G. Nhlapo P. Mofokeng T. Radebe M. Nakedi M. Mosia M. Semela K. Mokoena N. Shabalala P. Sibeko P. Moshoadiba S. Du Preez S. Henning Old Councillor - (Term ended) 18 May 2011 M. Mamba (Mayor) M. Molapisi (Speaker) L. Moloi (Executive member) M. Mokoena (Executive member) P. Nkomo (Executive member) B. Peter (Executive member) M. Blignaut (Executive member) N. Molawa J. Msimanga S. Henning T. Zwane L. Masoka A. Fume M. Moloedi J. Venter M. Malindi K. Monyatsi K.Mnguni

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2011

General Information

Grading of local authority	Medium Capacity Grade 3 in terms of the Remuneration of Public Office Bearers Act.
Accounting Officer	SJ Thomas
Chief Finance Officer (CFO)	V Mkhefa
Registered office	Corner Church and Voortrekker Reitz 9810
Business address	Corner Church and Voortrekker Reitz 9810
Postal address	P.O. Box 26 Reitz 9810
Bankers	ABSA (Primary bank)
Auditors	Office of the Auditor-General South Africa

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2011

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

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Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2012 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 6.

The annual financial statements set out on pages 6 to 70, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2011 and were signed on its behalf by:

Accounting Officer
S.J Thomas

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Statement of Financial Position

Figures in Rand	Note(s)	2011	2010
Assets			
Current Assets			
Inventories	7	164,144	483,267
Trade and other receivables from exchange transactions	8	4,399,004	4,047,282
Consumer debtors	9	41,863,246	48,550,656
Cash and cash equivalents	10	10,157,600	14,880,530
		<u>56,583,994</u>	<u>67,961,735</u>
Non-Current Assets			
Biological assets	2	67,544	67,544
Investment property	3	3,195,000	3,313,333
Property, plant and equipment	4	693,475,881	724,645,575
Intangible assets	5	119,162	202
Investments	6	3,651,295	3,451,746
		<u>700,508,882</u>	<u>731,478,400</u>
Total Assets		<u>757,092,876</u>	<u>799,440,135</u>
Liabilities			
Current Liabilities			
Trade and other payables from exchange transactions	14	15,367,894	8,442,322
VAT payable	15	13,200,273	10,595,905
Consumer deposits	16	1,172,068	1,186,822
Unspent conditional grants and receipts	12	944,802	2,254,484
Other financial liabilities		1,225,409	1,464,317
Current portion of Non-Current Borrowings		356,332	202,109
		<u>32,266,778</u>	<u>24,145,959</u>
Non-Current Liabilities			
Non-Current Borrowings	11	9,472,849	9,951,618
Provisions	13	3,542,327	-
		<u>13,015,176</u>	<u>9,951,618</u>
Total Liabilities		<u>45,281,954</u>	<u>34,097,577</u>
Net Assets		<u>711,810,922</u>	<u>765,342,558</u>
Net Assets			
Reserves			
Capital replacement reserve		13,823,387	13,823,387
Government grant reserve		49,421,484	29,855,754
Accumulated surplus		648,566,051	721,663,417
Total Net Assets		<u>711,810,922</u>	<u>765,342,558</u>

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Statement of Financial Performance

Figures in Rand	Note(s)	2011	2010
Revenue from exchange transactions			
Property rates	17	10,681,610	15,761,300
Service charges	18	55,896,335	45,063,739
Rental of facilities and equipment		237,667	516,970
Interest received (trading)		8,262,230	11,503,517
Revenue from non-exchange transactions			
Fines		201,569	153,231
Government grants & subsidies	19	85,041,490	81,674,076
Other income	20	4,283,483	2,005,423
Interest received - investment	25	1,272,530	1,565,477
Interest received - other	25	42,476	61,110
Total Revenue		165,919,390	158,304,843
Expenditure			
Employee related cost	23	(38,540,276)	(37,490,984)
Remuneration of councillors	24	(4,680,649)	(4,151,716)
Depreciation and amortisation		(61,168,158)	(61,483,941)
Finance costs	26	(1,018,119)	(1,049,261)
Debt impairment		(50,593,628)	(2,503,998)
Repairs and maintenance		(11,330,332)	(7,462,721)
Bulk purchases	28	(19,531,506)	(13,158,274)
Loss on disposal of assets		-	(1,078,371)
General Expenses	21	(32,625,593)	(42,434,914)
Total Expenditure		(219,488,261)	(170,814,180)
Loss on disposal of assets and liabilities		(198,500)	(1,078,371)
Fair value adjustments		31,315	-
Deficit for the year		(53,736,056)	(13,587,708)

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Statement of Changes in Net Assets

Figures in Rand	Capital replacement reserve	Government grant reserve	Total reserves	Accumulated surplus	Total net assets
Balance at 01 July 2009	-	-	-	-	-
Changes in net assets					
Net assets	13,823,387	26,922,402	40,745,789	329,358,901	370,104,690
Other items	-	-	-	2,269,044	2,269,044
Implementation of GRAP 17	-	-	-	406,556,532	406,556,532
Depreciation recycle from government reserve to accumulating surplus	-	(26,922,402)	(26,922,402)	26,922,402	-
Net income (losses) recognised directly in net assets	13,823,387	-	13,823,387	765,106,879	778,930,266
Surplus for the year	-	-	-	(13,587,708)	(13,587,708)
Total recognised income and expenses for the year	13,823,387	-	13,823,387	751,519,171	765,342,558
Transfer to/from accumulated surplus/deficit to government reserve	-	29,945,178	29,945,178	(29,945,178)	-
Depreciation recycle from government reserve to accumulating surplus	-	(89,424)	(89,424)	89,424	-
Total changes	13,823,387	29,855,754	43,679,141	721,663,417	765,342,558
Restated Opening balance	13,823,387	29,855,754	43,679,141	721,663,416	765,342,557
Adjustments					
Prior year adjustments	-	-	-	204,421	204,421
Total	13,823,387	29,855,754	43,679,141	721,867,837	765,546,978
Changes in net assets					
Surplus for the year	-	-	-	(53,736,056)	(53,736,056)
Transfer of capital surplus to trust capital	-	20,059,465	20,059,465	(20,059,465)	-
Depreciation recycle from government reserve to accumulating surplus	-	(493,735)	(493,735)	493,735	-
Total changes	-	19,565,730	19,565,730	(73,301,786)	(53,736,056)
Balance at 30 June 2011	13,823,387	49,421,484	63,244,871	648,566,051	711,810,922

Note(s)

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Cash Flow Statement

Figures in Rand	Note(s)	2011	2010
Cash flows from operating activities			
Receipts			
Sale of goods and services		31,067,471	29,060,176
Grants		85,041,490	75,241,885
Interest income		1,315,006	1,626,587
Other receipts		4,283,482	2,005,423
		<u>121,707,449</u>	<u>107,934,071</u>
Payments			
Employee costs		(43,220,925)	(42,505,255)
Suppliers		(56,223,117)	(62,416,532)
Finance costs		(1,018,119)	(1,049,261)
Other non cash item		-	(1,581,952)
		<u>(100,462,161)</u>	<u>(107,553,000)</u>
Net cash flows from operating activities	29	<u>21,245,288</u>	<u>381,071</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(29,855,597)	(37,813,593)
Proceeds from sale of property, plant and equipment	4	-	685,214
Purchase of other intangible assets	5	(143,520)	-
Proceeds from sale of financial assets		(168,234)	5,525,942
Proceeds/(loss) from sale of other asset		(198,500)	(1,078,371)
Other non-cash item		4,961,087	5,555,881
Net cash flows from investing activities		<u>(25,404,764)</u>	<u>(27,124,927)</u>
Cash flows from financing activities			
Repayment of non-current borrowings		(324,546)	(293,398)
Movement in other financial liabilities		(238,908)	1,464,317
Increase in consumer deposits		-	65,415
Net cash flows from financing activities		<u>(563,454)</u>	<u>1,236,334</u>
Net increase/(decrease) in cash and cash equivalents		<u>(4,722,930)</u>	<u>(25,507,522)</u>
Cash and cash equivalents at the beginning of the year		<u>14,880,530</u>	<u>40,388,052</u>
Cash and cash equivalents at the end of the year	10	<u>10,157,600</u>	<u>14,880,530</u>

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1. Reporting municipality

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

1.2 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP Standards have been approved and not yet effective and have not been early adopted by the municipality.

GRAP 18 - Segment Reporting

GRAP 20 - Related party Disclosures

GRAP 25 - Employee benefits

GRAP 104 - Financial Instruments

GRAP 105 - Transfer of Function between Entities under Common control

GRAP 106 - Transfer of Function between Entities not under Common control

GRAP 107 - Mergers

Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. The estimates and associated assumption are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results in the future could differ from these estimates which may be material to the annual financial statements.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the annual financial statements as well as assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustments within the next financial year are included below.

Impairment testing

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

Significant judgements and sources of estimation uncertainty (continued)

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.1 Biological assets

Initial Recognition

An entity shall recognise a biological assets or agricultural produce when, and only when:

- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the entity; and
- the fair value or cost of the asset can be measured reliably.

Subsequent Measurement

Biological assets are measured at their fair value less point-of-sale costs.

The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.

A gain or loss arising on initial recognition of biological assets or agricultural produce at fair value less estimated point-of-sale costs and from a change in fair value less estimated point-of-sale costs of a biological assets is included in surplus or deficit for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate where applicable is used to determine fair value.

An unconditional government grant related to a biological assets measured at its fair value less costs to sell is recognised as income when the government grant becomes receivable.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.2 Investment property

INITIAL RECOGNITION

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.2 Investment property (continued)

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Derecognition

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.3 Property, plant and equipment (continued)

The cost of self-constructed assets includes the cost of material and direct labour, any other cost directly attributable to bringing the asset to a working condition for their intended use, the cost of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing cost (see note 1.14)

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Depreciation and Impairment

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Buildings	30 years
Furniture and fixtures	7-10 years
Motor vehicles	5-7 years
Office equipment	3-5 years
Computer equipment	5 years
Computer software	5 years

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.3 Property, plant and equipment (continued)

Infrastructure

• Roads and Paving	20 years
• Pederstrian malls	20 years
• Electricity	20-30 years
• Water	15-20 years
• Sewerage	15-20 years

Community

• Buildings	30 years
• Recreational facilities	30 years
• Security	30 years
• Halls	30 years
• Libraries	30 years
• Parks and gardens	30 years
• Other assets	20-30 years

Specialised property, plant and equipment

Other equipment

• Landfill sites	30 years
• Quarries	30 years
• Emergency	5-15 years
Bins and containers	5 years
Specialised vehicles	5-7 years

Water network

• Watercraft	15 years
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Heritage

• Buildings	nil
• Paintings and artifacts	nil
Other property, plant and equipment	5-15 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Derecognition

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.3 Property, plant and equipment (continued)

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Work in progress

Property, plant and equipment (fixed assets) shall be capitalised, that is, recorded in the fixed assets register, as soon as it is acquired. If the assets is constructed over a period of time, it shall be recorded as work in progress until it is available for use, where after it shall be appropriately capitalised as a fixed assets.

1.4 Intangible assets

Initial Recognition

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.4 Heritage assets (continued)

Subsequent measurement - Cost model

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

Amortisation and impairment

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Computer software, other	3 years
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Derecognition

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.5 Financial instruments

Classification

The municipality classifies financial assets and financial liabilities into the following categories:

- Financial assets at fair value through surplus or deficit - held for trading
- Financial assets at fair value through surplus or deficit - designated
- Held-to-maturity investment
- Loans and receivables
- Available-for-sale financial assets
- Financial liabilities at fair value through surplus or deficit - held for trading
- Financial liabilities at fair value through surplus or deficit - designated
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Financial assets classified as at fair value through surplus or deficit which are no longer held for the purposes of selling or repurchasing in the near term may be reclassified out of that category:

- in rare circumstances
- if the asset met the definition of loans and receivables and the entity has the intention and ability to hold the asset for the foreseeable future or until maturity.

No other reclassifications may be made into or out of the fair value through surplus or deficit category.

A financial asset classified as available-for-sale that would have met the definition of loans and receivables may be reclassified to loans and receivables if the entity has the intention and ability to hold the asset for the foreseeable future or until maturity.

Initial recognition and measurement

Financial instruments are recognised initially when the entity becomes a party to the contractual provisions of the instruments.

The entity classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.5 Financial instruments (continued)

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in surplus or deficit.

Regular way purchases of financial assets are accounted for at settlement date.

Subsequent measurement

Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Net gains or losses on the financial instruments at fair value through surplus or deficit include dividends and interest.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Impairment of financial assets

At each end of the reporting period the entity assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the entity, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit - is removed from equity as a reclassification adjustment and recognised in surplus or deficit.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

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1.5 Financial instruments (continued)

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Loans to councillors, managers and employees

These financial assets are classified as loans and receivables.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the entity's accounting policy for borrowing costs.

Nketoana Local Municipality

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Accounting Policies

1.5 Financial instruments (continued)

Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the entity has the positive intention and ability to hold to maturity are classified as held to maturity.

Financial liabilities and equity instruments

Financial liabilities are classified according to the substance of contractual agreements entered into. Trade and other payables are stated at their nominal value. Equity instruments are recorded at the amount received, net of direct issue costs.

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- A gain or loss on a financial asset or financial liability classified as at fair value through surplus or deficit is recognised in surplus or deficit;
- A gain or loss on an available-for-sale financial asset is recognised directly in net assets, through the statement of changes in net assets, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in net assets is recognised in surplus or deficit; and
- For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

Derecognition

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;

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Accounting Policies

1.5 Financial instruments (continued)

- the municipality retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the municipality has transferred its rights to receive cash flows from the asset and either
 - has transferred substantially all the risks and rewards of the asset, or
 - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the municipality has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the municipality's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the municipality's continuing involvement is the amount of the transferred asset that the municipality may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

Impairment of financial assets

The municipality assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

Assets are carried at amortised cost.

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Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.5 Financial instruments (continued)

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit. The municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

MUNICIPALITY AS LESSEE

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

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Accounting Policies

1.6 Leases (continued)

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

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Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.6 Leases (continued)

MUNICIPALITY AS LESSOR

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

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Accounting Policies

1.7 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.8 Construction contracts and receivables

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs {or surveys of work done or completion of a physical proportion of the work}.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.8 Construction contracts and receivables (continued)

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

1.9 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Other post retirement obligations

The entity provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The entity also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.9 Employee benefits (continued)

The municipality's net obligation in respect of long service awards is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value and the fair value of any related assets is deducted to determine the net obligation.

Termination benefits

Termination benefits are recognised as an expense when the municipality is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the municipality has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

1.10 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.10 Provisions and contingencies (continued)

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of a activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding agreement.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

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Accounting Policies

1.11 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly. Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Nketoana Local Municipality

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Accounting Policies

1.11 Revenue from exchange transactions (continued)

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.11 Revenue from exchange transactions (continued)

- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Dividends, or their equivalents are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

Other Revenue sources:

Service charges relating to electricity and water are based on consumption. Meters are readings are on a quarterly basis and are recognised as revenue when invoice. Provisional estimates of consumption are made monthly when meter reading have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of prepaid meter cards is recognised at the point of sale.

1.12 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

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Accounting Policies

1.12 Revenue from non-exchange transactions (continued)

Revenue from non-exchange transaction is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount

Revenue from property

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on the past experience of amounts collected.

Revenue from public contributions and donations

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contribution have been received, but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

Nketoana Local Municipality

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Accounting Policies

1.12 Revenue from non-exchange transactions (continued)

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Levies

Levies are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Levies are based on declarations completed by levy payers. The estimate of levies revenue when a levy payer has not submitted a declaration are based on the following factors:

- the extent and success of procedures to investigate the non-submission of a declaration by defaulting levy payers;
- internal records maintained of historical comparisons of estimated levies with actual levies received from individual levy payers;
- historical information on declarations previously submitted by defaulting levy payers; and
- the accuracy of the database of levy payers as well as the frequency by which it is updated for changes.

Changes to estimates made when more reliable information becomes available are processed as an adjustment to levies revenue.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.12 Revenue from non-exchange transactions (continued)

Government grants, Public contribution and donations

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

Grants, transfers and donation received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an assets. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the condition attached to the grant are met. Grants without any condition attached are recognised as revenue when the assets is recognised.

Nketoana Local Municipality

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Accounting Policies

1.13 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.14 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

When the municipality completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the entity ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

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Accounting Policies

1.15 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure E to these financial statements

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.16 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.17 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.18 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or

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Accounting Policies

1.18 Irregular expenditure (continued)

- (b) which has not been condoned in terms of section 170;.
- (c) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of Municipal Systems Act, and which has not been condoned in terms of the Act;
- (d) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No.20 of 1998); or
- (e) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-laws but excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure";

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.19 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

Nketoana Local Municipality

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Accounting Policies

1.20 Internal reserves

Government grant reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/deficit to the Government Grants Reserve equal to the Government Grant recorded as revenue in the statement of financial performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/deficit. The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/deficit.

The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/deficit.

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2. Biological assets

	2011			2010		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Livestock	67,544	-	67,544	67,544	-	67,544

Reconciliation of biological assets - 2011

	Opening balance	Total
Livestock	67,544	67,544

Reconciliation of biological assets - 2010

	Opening balance	Total
Livestock	67,544	67,544

Non - Financial information

Quantities of each biological asset

Horse	1	1
Donkey	1	1
Wilde Beest	1	1
Bles Bucks	67	67
	70	70

Methods and assumptions used in determining fair value

Fair value less estimated point-of-sale costs, which is determined by the selling price for livestock less value added tax.

3. Investment property

	2011			2010		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	3,550,000	(355,000)	3,195,000	3,550,000	(236,667)	3,313,333

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3. Investment property (continued)

Reconciliation of investment property - 2011

	Opening balance	Depreciation	Total
Investment property	3,313,333	(118,333)	3,195,000

Reconciliation of investment property - 2010

	Opening balance	Depreciation	Total
Investment property	3,431,667	(118,334)	3,313,333

Pledged as security

No investment property was pledged as security for loans at year end.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

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4. Property, plant and equipment

	2011			2010		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	192,354,469	-	192,354,469	192,354,469	-	192,354,469
Buildings	91,067,450	(9,102,163)	81,965,287	91,067,375	(6,066,134)	85,001,241
Infrastructure	815,852,326	(433,371,223)	382,481,103	805,754,200	(377,821,334)	427,932,866
Community	2,235,703	(763,197)	1,472,506	2,013,230	(573,102)	1,440,128
Other property, plant and equipment	15,907,562	(7,298,691)	8,608,871	13,078,100	(5,049,364)	8,028,736
Work in progress	26,593,645	-	26,593,645	9,888,135	-	9,888,135
Total	1,144,011,155	(450,535,274)	693,475,881	1,114,155,509	(389,509,934)	724,645,575

Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Depreciation	Total
Land	192,354,469	-	-	192,354,469
Buildings	85,001,241	-	(3,035,954)	81,965,287
Infrastructure	427,932,866	10,098,125	(55,549,888)	382,481,103
Community	1,440,128	222,500	(190,122)	1,472,506
Other property, plant and equipment	8,028,736	2,829,462	(2,249,327)	8,608,871
Work in progress	9,888,135	16,705,510	-	26,593,645
	724,645,575	29,855,597	(61,025,291)	693,475,881

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4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Disposals	Disposals non cash items at carrying value	Depreciation	Total
Land	192,354,469	-	-	-	-	192,354,469
Buildings	87,872,070	165,125	-	-	(3,035,954)	85,001,241
Infrastructure	461,874,606	21,300,103	-	(90,937)	(55,150,906)	427,932,866
Community	1,629,168	-	-	-	(189,040)	1,440,128
Other property, plant and equipment	5,911,514	6,460,230	(685,214)	(695,607)	(2,962,187)	8,028,736
Work in progress	-	9,888,135	-	-	-	9,888,135
	749,641,827	37,813,593	(685,214)	(786,544)	(61,338,087)	724,645,575

Note

Additions is classified under two components namely additions and other change/movements.

Cash component of addition	-	2,169,017
Non cash components of addition	-	4,739,016
	-	6,908,033

Disposal is classified under two components namely disposal and other change/movements.

Cash component of disposals	-	685,214
Non cash components of disposal	-	786,544
	-	1,471,758

See appendix for proper movement on the fixed assets register.

Total additions	-	6,908,272
Total disposals	-	(5,419,272)
	-	1,489,000

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Nketoana Local Municipality

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5. Intangible assets

	2011			2010		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	198,808	(79,646)	119,162	55,287	(55,085)	202

Reconciliation of intangible assets - 2011

	Opening balance	Additions	Amortisation	Total
Computer software, other	202	143,520	(24,560)	119,162

Reconciliation of intangible assets - 2010

	Opening balance	Amortisation	Total
Computer software, other	27,723	(27,521)	202

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Figures in Rand	2011	2010
6. Investments		
Held to maturity		
Other Long term investment and deposits	3,327,949	3,159,715
Listed Investments	323,346	292,031
	<u>3,651,295</u>	<u>3,451,746</u>
Non-current assets		
Longterm investments	<u>3,651,295</u>	<u>3,451,746</u>
7. Inventories		
Consumable store - at cost	<u>164,144</u>	<u>483,267</u>
8. Trade and other receivables from exchange transactions		
Trade debtors	-	1,202,508
Other debtors	4,399,004	2,844,774
	<u>4,399,004</u>	<u>4,047,282</u>
9. Consumer debtors		
Gross balances		
Rates	17,541,425	12,910,235
Electricity	5,398,552	3,760,101
Water	51,080,928	32,833,594
Sewerage	39,963,987	30,687,646
Refuse	42,658,774	32,710,520
Regional services levies	37,872,815	37,673,440
Housing rental	792,803	827,533
	<u>195,309,284</u>	<u>151,403,069</u>
Less: Provision for debt impairment		
Rates	(3,456,813)	(2,317,046)
Electricity	(486,548)	(326,125)
Water	(42,656,380)	(28,591,886)
Sewerage	(34,616,910)	(23,203,158)
Refuse	(38,748,342)	(25,972,391)
Sundry Debtors	(32,721,818)	(21,846,256)
Housing rental	(759,227)	(595,551)
	<u>(153,446,038)</u>	<u>(102,852,413)</u>

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9. Consumer debtors (continued)		
Net balance		
Rates	14,084,612	10,593,189
Electricity	4,912,004	3,433,976
Water	8,424,548	4,241,708
Sewerage	5,347,077	7,484,488
Refuse	3,910,432	6,738,129
Sundry debtors	5,150,997	15,827,184
Housing rental	33,576	231,982
	41,863,246	48,550,656
Rates		
Current (0 -30 days)	883,177	800,435
31 - 60 days	713,631	645,511
61 - 90 days	1,807,387	1,661,547
91 - 120 days	540,204	490,589
121 - 365 days	10,140,213	6,995,107
	14,084,612	10,593,189
Electricity		
Current (0 -30 days)	1,824,374	1,391,237
31 - 60 days	300,738	225,606
61 - 90 days	184,218	112,803
91 - 120 days	128,788	97,762
121 - 365 days	2,473,886	1,606,568
	4,912,004	3,433,976
Water		
Current (0 -30 days)	3,158,469	1,590,269
31 - 60 days	5,266,079	2,651,439
	8,424,548	4,241,708
Sewerage		
Current (0 -30 days)	1,003,646	938,570
31 - 60 days	3,672,905	5,141,092
61 - 90 days	670,526	1,404,826
	5,347,077	7,484,488
Refuse		
Current (0 -30 days)	1,037,994	4,949,546
31 - 60 days	2,872,438	1,788,583
	3,910,432	6,738,129

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Figures in Rand	2011	2010
9. Consumer debtors (continued)		
Sundry debtors		
Current (0 -30 days)	147,899	1,055,150
31 - 60 days	3,211,009	11,603,711
61 - 90 days	70,630	376,734
91 - 120 days	127,287	753,468
121 - 365 days	155,930	1,130,203
> 365 days	1,438,242	907,918
	<u>5,150,997</u>	<u>15,827,184</u>
Housing rental		
Current (0 -30 days)	<u>33,576</u>	<u>231,982</u>
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	7,270,988	4,733,334
31 - 60 days	17,893,736	4,024,170
61 - 90 days	4,975,741	3,195,784
91 - 120 days	3,542,788	3,432,232
121 - 365 days	150,092,371	127,092,216
	<u>183,775,624</u>	<u>142,477,736</u>
Less: Provision for debt impairment	<u>(152,871,288)</u>	<u>(102,415,087)</u>
	<u>30,904,336</u>	<u>40,062,649</u>
Industrial/ commercial		
Current (0 -30 days)	432,477	282,813
31 - 60 days	1,015,277	272,425
61 - 90 days	196,689	129,992
91 - 120 days	126,492	166,763
121 - 365 days	5,299,933	4,683,775
	<u>7,070,868</u>	<u>5,535,768</u>
Less: Provision for debt impairment	<u>(574,752)</u>	<u>(437,324)</u>
	<u>6,496,116</u>	<u>5,098,444</u>
National and provincial government		
Current (0 -30 days)	352,189	266,568
31 - 60 days	315,682	185,957
61 - 90 days	221,288	179,617
91 - 120 days	193,181	164,823
121 - 365 days	3,503,096	3,142,974
	<u>4,585,436</u>	<u>3,939,939</u>

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Notes to the Annual Financial Statements

Figures in Rand	2011	2010
9. Consumer debtors (continued)		
Total		
Current (0 -30 days)	8,055,654	5,282,715
31 - 60 days	19,224,695	4,563,163
61 - 90 days	5,393,718	3,505,393
91 - 120 days	3,862,461	3,763,818
121 - 365 days	158,772,758	134,287,980
	<u>195,309,286</u>	<u>151,403,069</u>
Less: Provision for debt impairment	<u>(153,446,040)</u>	<u>(102,852,413)</u>
	<u>41,863,246</u>	<u>48,550,656</u>
 Less: Provision for debt impairment Current	 <u>(153,446,038)</u>	 <u>(102,852,413)</u>
 Reconciliation of debt impairment provision		
Balance at beginning of the year	(102,852,412)	(100,398,216)
Contributions to provision	(50,593,626)	(2,503,999)
Debt impairment written off against provision	-	49,802
	<u>(153,446,038)</u>	<u>(102,852,413)</u>
 10. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	1,203	-
Bank balances	4,050,419	3,915,386
Short-term deposits	6,105,978	10,965,144
	<u>10,157,600</u>	<u>14,880,530</u>
 Short Term Investment included in Cash and cash Equivalents	 6,105,978	 10,965,144

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10. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances			
	30 June 2011	30 June 2010	30 June 2011	30 June 2010		
ABSA Bank - Reitz Branch - 217-056-0119	332,413	232,609	-	332,413	232,609	-
First National Bank - Reitz Branch: Account Number - 620-640-82799	3,650,472	3,647,830	-	3,650,472	3,647,830	-
Absa Bank - Reitz Branch - Acc Number 2170142538	67,534	34,946	-	67,534	34,946	-
Total	4,050,419	3,915,385	-	4,050,419	3,915,385	-

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11. Non-Current Borrowings		
Held at amortised cost		
DBSA loans	8,117,800	8,489,981
Fixed interest rates of 10,35% with fixed instalments of R 96,732.62 p/m. The maturity date of this loan is 2024.		
DBSA loans	1,355,049	1,461,637
Fixed interest rates of 9,09% with fixed instalments of R 15,156.21 p/m. The maturity date of this loan is 2024		
	<u>9,472,849</u>	<u>9,951,618</u>
The Municipality shall execute a cession to the benefit of the DBSA on its Standard Bank fixed deposit investment of R 3,327 949.49 of which its maturity date shall be extended from November 2009 to 2 November 2013.		
Non-current liabilities		
At amortised cost	<u>9,472,849</u>	<u>9,951,618</u>
12. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
MISG	433,311	845,853
MFMG	511,491	435,166
DWAF drought relief	-	500,000
MIG Grants	-	473,465
	<u>944,802</u>	<u>2,254,484</u>
Movement during the year		
Balance at the beginning of the year	2,254,484	9,062,193
Additions during the year	83,181,343	74,802,639
Income recognition during the year	(84,491,025)	(81,610,348)
	<u>944,802</u>	<u>2,254,484</u>

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the controlling entity has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note for reconciliation of grants from National/Provincial Government.

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13. Provisions

Reconciliation of provisions - 2011

	Opening Balance	Additions	Total
Environmental rehabilitation	-	3,542,327	3,542,327

The provision for rehabilitation of landfill site related to the constructive obligation to rehabilitate landfill sites used for waste disposal. The provision is discounted to the present value of the future cost to rehabilitate the landfill site, using the average cost of the municipality borrowing interest rate.

The landfill site are located at Mamafubedu and Ntha.

14. Trade and other payables from exchange transactions

Trade payables	11,349,270	5,141,519
Accrued leave pay	2,812,994	2,418,209
Accrued bonus	1,081,132	857,846
Finance portion of trade payables	124,498	24,748
	<u>15,367,894</u>	<u>8,442,322</u>

Fair value of trade and other payables

Trade payables	11,349,274	5,141,519
Finance portion of trade payables	122,253	24,748
Finance portion of accruals	2,245	-
	<u>11,473,772</u>	<u>5,166,267</u>

15. VAT payable

Tax refunds payables	13,200,273	10,595,905
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VAT is payable on the cash basis. VAT is paid over to SARS only once payment is received from debtors and claimed from SARS once suppliers have been paid.

VAT accounted on cash basis

Receivable from SARS - Cash basis	(3,024,817)	(686,088)
VAT - Invoice basis	16,225,090	11,281,993
	<u>13,200,273</u>	<u>10,595,905</u>

16. Consumer deposits

Electricity	1,140,932	1,155,332
Other deposits	31,136	31,490
	<u>1,172,068</u>	<u>1,186,822</u>

No interest accrued or paid on consumer deposits.

Nketoana Local Municipality

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17. Property rates		
Rates received		
Residential, commercial and state	10,681,610	15,761,300
Valuations		
Valuation on property rates are performed every 4 years. The last general valuation came into effect on 1 July 2009.		
Rebates of R 20,000 (2010: R 20,000) are granted to residential property owners.		
Rates are levied on an monthly basis. Interest at prime plus 1% per annum is levied on outstanding rates older then 30 days.		
The new general valuation will be implemented on 01 July 2013.		
18. Service charges		
Sale of electricity	15,508,508	11,424,398
Sale of water	21,716,048	21,010,956
Sewerage and sanitation charges	9,215,378	6,699,782
Refuse removal	9,456,401	5,928,603
	55,896,335	45,063,739

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Figures in Rand	2011	2010
19. Government grants and subsidies		
Equitable share	62,145,342	49,942,885
MSIG	1,162,542	569,981
FMG	1,123,676	1,152,305
LG SETA	50,465	63,728
Drought Relief	500,000	-
MIG Grants	20,059,465	29,945,177
	85,041,490	81,674,076

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. The equitable share is an unconditional grant and is utilised to assist the local municipalities to undertake service delivery. There were no delay or withholding of the subsidy.

MSIG Grant

Balance unspent at beginning of year	845,853	680,835
Current-year receipts	750,000	735,000
Conditions met - transferred to revenue	(1,162,542)	(569,982)
	433,311	845,853

Conditions still to be met - remain liabilities (see note 12)

MFMG Grants

Balance unspent at beginning of year	435,166	837,471
Current-year receipts	1,200,000	750,000
Conditions met - transferred to revenue	(1,123,675)	(1,152,305)
	511,491	435,166

Conditions still to be met - remain liabilities (see note 12)

LG SETA

Balance unspent at beginning of year	-	780
Current-year receipts	50,465	62,948
Conditions met - transferred to revenue	(50,465)	(63,728)
	-	-

Conditions still to be met - remain liabilities (see note 12)

DWAF drought relief

Balance unspent at beginning of year	500,000	500,000
Conditions met - transferred to revenue	(500,000)	-
	-	500,000

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19. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 12)

MIG Grant

Balance unspent at beginning of year	473,465	6,605,001
Current-year receipts	19,586,000	23,814,000
Conditions met - transferred to revenue	(20,059,465)	(29,945,536)
	-	473,465

Conditions still to be met - remain liabilities (see note 12)

20. Other income

Sundries	4,283,483	2,005,423
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The above sundries include R 2,500 000 cooperative governance assistance money to assist the municipality to implement a recruitment process to employ temporal employees and give assistance to the retrenchment of other employees.

Nketoana Local Municipality

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21. General expenses		
Advertising	312,755	263,606
Assessment rates & municipal charges	35,817	207,228
Assets expensed	81,245	31,920
Auditors remuneration	1,716,372	1,151,685
Bank charges	330,175	232,163
Chemicals	999,323	772,628
Cleaning	76,103	193,730
Commission paid	1,102	7,158
Consulting and professional fees	6,933,479	6,907,927
Consumables	400,255	842,123
Debt collection	20,454	-
Donations	347,112	373,677
Electricity	3,158,011	6,260,850
Entertainment	1,189,902	1,127,547
Fuel and oil	2,655,502	3,998,313
Insurance	423,064	647,927
Lease rentals on operating lease	499,277	620,961
License applications	-	3,986
Magazines, books and periodicals	18,144	35,202
Membership fees	492,287	32,247
Other expenses	2,628,128	14,240,277
Postage and courier	506,445	473,305
Printing and stationery	821,819	907,992
Promotions	527,603	166,350
Refuse	36,096	37,289
Solid waste rehabilitation expense	3,857,327	-
Restructuring	-	131,232
Sewerage and waste disposal	30,439	28,723
Staff welfare	-	759,727
Subscriptions and membership fees	91,888	-
Telephone and fax	1,155,411	1,131,814
Title deed search fees	8,240	11,108
Training	1,422,671	524,978
Travel - local	1,404,830	1,141,795
Uniforms	374,674	178,352
Water	69,643	69,465
	32,625,593	43,513,285

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand

2011

2010

22. Operating deficit

Operating deficit for the year is stated after accounting for the following:

Operating lease charges

Equipment

- Contractual amounts

499,277

620,961

Loss on sale of property, plant and equipment

(198,500)

(1,078,371)

Amortisation on intangible assets

24,561

27,521

Depreciation on property, plant and equipment

61,025,264

61,338,087

Depreciation on investment property

118,333

118,333

Employee costs

43,220,925

41,642,700

Solid waste rehabilitation expense

3,857,327

-

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
23. Employee related costs		
Basic	24,530,840	23,913,129
Bonus	2,153,767	1,623,383
Medical aid - company contributions	1,065,960	1,853,387
UIF	312,606	256,338
WCA	228,884	221,244
SDL	268,997	224,885
Leave pay provision charge	618,070	279,240
Salga	31,316	15,734
Travel, motor car, accommodation, subsistence and other allowances	1,098,067	1,230,580
Overtime payments	1,613,647	1,853,580
Acting allowances	118,131	313,261
Housing benefits and allowances	172,307	116,151
Pension fund contribution	4,194,435	3,954,681
Standby allowance	448,096	162,161
	36,855,123	36,017,754
Remuneration of municipal manager		
Annual Remuneration	595,874	759,471
Car Allowance	397,419	85,259
Contributions to UIF, Medical and Pension Funds	1,497	1,497
	994,790	846,227
Remuneration of chief finance officer		
Annual Remuneration	539,099	487,577
Car Allowance	149,767	137,929
Contributions to UIF, Medical and Pension Funds	1,497	1,497
	690,363	627,003
Salga contributions		
Current contributions	31,316	15,734

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
24. Remuneration of councillors		
Mayor	687,701	575,869
Executive Council	1,112,150	695,702
Councillors	2,361,681	2,388,757
Speaker	519,117	491,388
	4,680,649	4,151,716
25. Interest revenue		
Interest revenue		
Interest on investments	1,272,530	1,565,477
Interest received - other	42,476	61,110
	1,315,006	1,626,587
26. Finance costs		
Non-current borrowings	1,018,119	1,049,261
27. Auditors' remuneration		
Fees	1,716,372	1,151,685
28. Bulk purchases		
Electricity	18,398,220	12,880,547
Water	1,133,286	277,727
	19,531,506	13,158,274

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
29. Cash generated from operations		
Deficit	(53,736,056)	(13,587,708)
Adjustments for:		
Depreciation and amortisation	61,168,158	61,483,941
Gain on sale of assets and liabilities	198,500	1,078,371
Fair value adjustments	(31,315)	-
Debt impairment	50,593,628	2,503,998
Movements land rehabilitation provision	3,857,327	-
Contribution to provision - current	-	484,255
Indigent written off	-	926,733
Contribution to/or (deduction) leave and bonus provision	618,070	-
Other non-cash items	(5,689,719)	(2,370,219)
Changes in working capital:		
Inventories	319,123	1,623,601
Trade and other receivables from exchange transactions	(351,722)	(790,394)
Consumer debtors	(43,906,218)	(33,374,580)
Trade and other payables from exchange transactions	6,925,580	4,256,966
VAT	2,604,368	1,553,979
Unspent conditional grants and receipts	(1,309,682)	(6,807,709)
Consumer deposits	(14,754)	65,415
Other financial liabilities	-	(16,665,578)
	21,245,288	381,071

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
30. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Infrastructure	23,317,000	23,925,860
Not yet contracted for and authorised by accounting officer		
• Infrastructure	19,500,000	31,717,000
• Other	-	895,000
	19,500,000	32,612,000
This committed expenditure relates to infrastructure and other will be financed as followed		
- Government Grants	20,083,000	21,176,324
- Own resources	9,295,000	895,000
Retention monies on capital projects		
- Mamafubedu: Paving of 6km roads (MIS:164362) - Phase 1 & 2	1,160,786	589,911
Petsana: Paving of 6km roads (MIS:164359) - Phase 1 & 2	567,149	302,049
Ntha: Paving of 6km roads (MIS:163665)- Phase 1 & 2	835,851	589,911
Sewer Network at Mamafubedu, Petrus Steyn	1,206,778	-
Package Plant Providing suitable effluent at Mamafubedu Petrus Steyn	300,000	-
	4,070,564	1,481,871
Operating leases - as lessee (expense)		
Minimum lease payments due		
- within one year	556,799	186,593
- in second to fifth year inclusive	893,331	382,545
- later than five years	-	569,138
	1,450,130	1,138,276
Operating leases - as lessor (income)		
Minimum lease payments due		
- within one year	243,000	325,180
- in second to fifth year inclusive	816,859	572,302
- later than five years	-	734,892
	1,059,859	1,632,374

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
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31. Contingencies

Contingent Liabilities

Labour Matters involving the Municipality:

Mofube SJ vs Nketoana Local Municipality, case is currently in progress at the Labour Court is estimated cost of R 50,000.

Abritation matter at their conciliation stage involving Dazzman Radebe are expected to be around R 200,461.20 and Mr LW Ntsoelikane were dismissed and resulted in a abritration case with expected cost of R 250,000.

Civil Matters

We have also three applicants against the municipality related to farms evictions in terms of The Extension of Security of Tenure Act, 1997(ESTA). Wessels/ Nketoana, Spes Bona/ Nketoana and Swanepol/ Nketoana. We estimate the cost to be R 60,000, collectively because municipal council will be employed and the attorney will only be preparing briefs.

Various allegations are pending against managers and employees related to their conduct while on duty or during scope of their employment. The estimated cost for the proceedings is should be around R 60,000.

Litigation against the Nketoana Municipality in their appeal stage are estimated at R 500,000.

32. Comparative figures

Certain comparative figures have been reclassified.

This year the municipality is using caseware to compile their financial statement. Caseware is a trusted accounting program that allow its users to properly classify transaction and balances in the financial statement, hence transaction and balances in the prior year is being affected to compansate for the proper classification in the current financial year.

The effects of the reclassification are as follows:

Statement of financial position (Currently presented vs previously presented in 2010 financial statement)

Trade and other receivable form exchange transaction	4,047,282	52,597,939
Consumer debtors	48,550,656	-
Biological assets	67,544	-
Investment property	3,313,333	3,550,000
Property, plant and equipment	724,712,579	1,070,238,522
Intangible assets	202	25,962
Investment - Non-current Assets	3,451,746	8,376,269
Cash and cash equivalents	14,880,530	9,956,008

Statement of financial performance (Currently presented vs previously presented in 2010 financial statement)

Rental of facilities and equipment	516,970	578,080
Depreciation	61,483,941	-
Interest earned - investments	1,565,477	1,565,653
Interest received - other	61,110	-
Other income	2,005,423	2,070,806
Government grants	81,674,076	81,610,348
Personnel - employee cost	37,490,984	38,353,538
Repairs and maintenance	7,462,721	6,062,061

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
32. Comparative figures (continued)		
General expenses	42,434,914	60,200,077
Loss on disposal of assets and liabilities	1,078,371	4,734,059
Statement of Cash Flow Statement(Currently presented vs previously presented in 2010 financial statement)	-	-
Sale of goods and service	29,060,176	42,790,860
Suppliers	62,416,532	76,147,217
Other non cash items	1,581,952	-
Purchase of intangible assets.	143,520	-
Purchase of fixed assets	37,813,593	35,653,794
Proceeds from sale of financial assets	5,525,942	2,251,242
Proceeds/(loss) of assets	1,078,371	-
Other non-cash items	5,555,881	-
Movement in other financial liabilities	1,464,317	-
Net cash and cash equivalents	40,388,052	40,202,546
Accumulating surplus/(deficit) - GRAP 17 implementation	317,138,785	-
Total	1,536,964,981	1,536,964,981

Trade and other receivable form exchange transaction

In the previous year consumer debtor and trade and other receivable were reflected as one line item on the face of Financial Position, but was split in the notes.

Consumer debt

In the previous year consumer debtor and trade and other receivable were reflected as one line item on the face of Financial Position, but was split in the notes.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
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32. Comparative figures (continued)

Biological assets

As a result of GRAP 17 implementation in the current.

Investment property

As a result of GRAP 17 implementation in the current.

Property, plant and equipment

Previously the municipality used provisional amounts not depreciated as provide by directive 4. The prior period and current periods financial year includes accumulating depreciation, hence the change in the property, plant and equipment previously reported.

Intangible assets

As a result of GRAP 17 implementation in the current.

Investment - Non-current Assets

Previously the short term investments were included under long term investment and has now been allocated and reclassified as short term.

Cash and cash equivalents

Previously call accounts were classified under cash and bank, but in current separately disclose as investments.

Rental of facilities and equipment

There were change in the current year allocation to include all rental income. The amount in previous year included R 61,109.53 that was actual interest income

Depreciation

Previously there was no depreciation provided in the prior periods as stated under Property, plant and equipment above.

Interest earned - investments and interest other.

There were change in the current year allocation to include the R 61,109.53 previously showed under rental income. The other interest is disclose separately in the current year.

Other income

The difference of R 1,655.36 was general expense because it related to expense votes and correctly allocated in the current year. LG SETA grant was of R63,727.60 was included other income previous year and now disclose under grants.

Government grants

Difference as a result of LG SETA.

Employee related cost

Travel and subsistence allocated incorrectly in previous year, this year included in the general ledger amounting to R862,554.

Repairs and maintenance

Balance change as a result of the adjustment on the fixed register.

General expenses

Previous year general expenses included the subsidies paid and the loss on assets disposals. In the current year it only general expense and the other (Subsidies & Loss) are separated line items.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand

2011

2010

32. Comparative figures (continued)

Loss on disposal of assets and liabilities.

As a result of the depreciation being allocated to the items not previously depreciated.

Sale of goods

Grants and subsidies paid were previously included in other income that related to free basic service, was not correctly classified in term of GRAP 9.

Suppliers

See above sale of goods.

Proceeds from sale of property, plant and equipment.

See above property, plant and equipment.

Purchase of Intangible assets:

Balance change as a result of the adjustment on the fixed register.

Proceeds/(loss) of assets.

As a result of GRAP 17 implementation on assets not previously depreciated.

Other non-cash items

See above property, plant and equipment.

Movement in other financial liabilities

Previous year this was not separately disclose on the face financial position.

Net cash and cash equivalents at beginning of the year.

As a result of reallocation and classification to the above balances and transaction the cash and cash equivalents in the beginning of the year change from R 40,202,546 to R 40,388,052

Accumulating surplus/(deficit) - GRAP 17 implementation

The implementation of GRAP 17 resulted in the restatement of accumulating surplus/(deficit) in the current year as disclose above.

33. Risk management

Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide returns for member and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes 11, cash and cash equivalents disclosed in note 10, and equity as disclosed in the statement of financial position.

There are no externally imposed capital requirements.

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand		2011	2010
33. Risk management (continued)			
The gearing ratio at 2011 and 2010 respectively were as follows:			
Total borrowings			
Non-Current Borrowings	11	9,472,849	9,951,618
Less: Cash and cash equivalents	10	10,157,600	9,956,008
Net debt		(684,751)	(4,390)
Total equity		711,810,922	117,249,224
Total capital		711,126,171	117,244,834

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. Risk management is carried out by a budget and treasury department under policies approved by the accounting officer. The accounting officer provides written principles for overall risk management.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. Municipality policy is to maintain approximately 60% of its borrowings in fixed rate instruments. During 2011 and 2010, the municipality's borrowings at variable rate were denominated in the Rand.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the council. .

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
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34. Events after the reporting date

The following non- adjusting event after reporting date occurred;

The municipality incurred damage to the Carports of an invoice amounting R187000, that occurred after 30 June 2011. A claim was submitted to the insurance company to recover the loss.

35. Unauthorised expenditure

Opening Balance	26,466,769	13,254,568
Unauthorised expenditure	91,976,261	13,212,201
Approved or condoned by council	(26,466,769)	-
	<u>91,976,261</u>	<u>26,466,769</u>

The municipality exceeded its budget for the year ended 30 June 2011 due to the provision for bad debts, rehabilitation of landfill sites and depreciation that the municipality did not provide for in the budget.

36. Fruitless and wasteful expenditure

Opening Balance	137,898	136,400
Fruitless and wasteful expenditure	-	1,498
	<u>137,898</u>	<u>137,898</u>

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand

	2011	2010
37. Irregular expenditure		
Opening balance	574,840	409,269
Add: Irregular Expenditure - current year	7,642,643	165,571
Add: Irregular Expenditure - prior year	1,279,936	-
Less: Amounts condoned	(574,840)	-
	<u>8,922,579</u>	<u>574,840</u>

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
37. Irregular expenditure (continued)		
Analysis of expenditure awaiting condonation classification		
Reitz Spar	2,144	-
Fednissan	21,566	-
Rocla	72,388	-
MNS Dawson	13,623	-
Hope 2000	92,453	-
Nkaiseng Commercial & Labour Attorney	98,430	-
JBS 01 Stationary & Office equipment	4,000	-
Majavu Inc	278,459	-
Rob Con Motors	33,828	-
Post Office	38,372	-
SUD Cheme	41,716	-
VKB	36,900	-
Greyling Broers	27,928	-
JB Mthembu Attorney	49,484	-
P N Attorneys	766,077	-
Maluleke Attorneys	33,662	-
BR Dienste	46,204	-
Scott Auto	62,323	-
Macbeth Attorneys	54,915	-
Kgatlo Training & Development	5,800	-
ELB Equipment Holdings	187,491	-
Van Zyl Staalwerke	20,355	-
Terex	39,754	-
J M Hlatswayo	300	-
Andras Findt	17,380	-
Hernel Verhuring	6,783	-
Sentrale Slaghuis	1,887	-
Sipho Vincent Nhlapo	4,000	-
MP Mkwana	8,730	-
MW Mahlaba	600	-
Riemland	1,150	-
Sebata	2,800	-
TTP Motloun	17,550	-
LJ Mokoena	4,900	-
Q & H Water & Sewerage Service	4,845	-
Rich Rewards	6,619	-
K Motaung	1,040	-
ZJ Tshabalala	1,400	-
Makomota FMS	725,446	-
LHL Consulting Engineers	890,544	-
Rudnat	2,620,915	-
Khato Consulting Engineer	699,427	-
	19,670	-
Irregular expenditure as result of the Non-compliance with SCM regulations and policies	578,785	-
	7,642,643	-

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
37. Irregular expenditure (continued)		
Details of irregular expenditure - Previous year		
	Disciplinary steps taken/criminal proceedings	
MC Makopoi	Disciplinary action against the Manager (Acting Corporate Services)were taken and resulted in dismissal	4,000
MC Makopoi	Disciplinary action were taken against the manager which resulted in dismissal	4,224
Lawnmowers	Criminal case was opened at police station and the manager responsible was dismissed	153,896
Overpayment of s&t	the assistant manager who was involved in this irregular expenditure was dismissed	3,451
		165,571

38. Additional disclosure in terms of Municipal Finance Management Act

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2011:

30 June 2011	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
MD Molapisi (Mayor)	581	3,156	3,737
P. Nkomo (Speaker)	405	-	405
M. Mphaka (Executive member)	-	4,766	4,766
G. Nhlapho	820	18,885	19,705
M. Moloedi	290	3,404	3,694
P. Mofokeng	741	7,518	8,259
T. Radebe	1,334	41,902	43,236
M. Nakedi	560	960	1,520
K. Mokoena	7,169	300	7,469
S. Du Preez	650	-	650
N. Shabalala	252	38,069	38,321
P. Sibeko	330	3,636	3,966
P. Moshoadiba	781	14,251	15,032
M. Semela	581	10,386	10,967
M.Malindi (Chief Whip)	-	5,518	5,518
	14,494	152,751	167,245

39. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	9,472,849	9,951,618
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Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand

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40. Contingent Assets

Outstanding insurance claims amounting to R 270,542 are still being assessed by the insurer. The realisation of this future fair value of revenue is uncertain and therefore not recognise as a asset. The timing and the value of this economic inflow to the entity is uncertain and not under the control of the municipality.

41. Rounding errors

Due to the utilisation of new accounting software (Caseware program) the opening balance were affected by rounding errors.

Yearly

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Appendix A

June 2011

Yearly

Current year 2010 Act. Bal.	Current year 2010 Bud. Amt	Variance
(13,158,274)	(15,450,000)	2,291,726
-	(19,477,600)	19,477,600
(43,513,285)	(43,508,165)	(5,120)
(170,814,180)	(131,744,406)	(39,069,774)
		29.7
(1,078,371)	-	(1,078,371)
-	-	-
(1,078,371)	-	(1,078,371)
(13,587,709)	(17,089,840)	3,502,131
		(20.5)

Yearly

Forecast # 1 2011 Act. Bal.	Forecast # 1 2011 Bud. Amt	Variance	Explanation of Significant Variances greater than 10% versus Budget
(19,531,506)	(19,187,000)	(344,506)	1.8
-	-	-	-
(32,591,904)	(42,559,000)	9,967,096	(23.4)
(219,488,261)	(127,512,000)	(91,976,261)	72.1
			General over provision for expected consultancy fees plus legal fees.
(198,500)	-	(198,500)	(100.0)
31,315	-	31,315	100.0
(167,185)	-	(167,185)	-
(53,736,056)	5,586,000	(59,322,056)	(1,062.0)

Bulk purchases
Grants and subsidies paid
General Expenses
Other revenue and costs
Gain or loss on disposal of assets and liabilities
Fair value adjustments
Net surplus/ (deficit) for the year

No budget was performed for this line items as their were no reliable information to refer to as the directive 4 were used on provisional amounts for fixed assets.

Schedule of external loans as at 30 June 2011

Loan Number	Redeemable	Balance at 30 June 2010	Received during the period	Redeemed written off during the period	Balance at 30 June 2011	Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA
		Rand	Rand	Rand	Rand	Rand	Rand
Development Bank of South Africa							
DBSA @ 10.35%	101390/1	8,692,089	-	273,495	8,418,594	-	-
DBSA @9.09%	101390/2	1,461,636	-	51,049	1,410,587	-	-
		10,153,725	-	324,544	9,829,181	-	-
Total external loans							
Development Bank of South Africa							
		10,153,725	-	324,544	9,829,181	-	-
		10,153,725	-	324,544	9,829,181	-	-

Nketoana Local Municipality
Nketoana Local Municipality
Appendix C

June 2011

Analysis of property, plant and equipment as at 30 June 2011
Cost/Revaluation
Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Depreciation Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Additions Rand	Disposals Rand	Depreciation Rand	Other changes, movements Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	192,354,468	-	-	-	-	-	192,354,468	-	-	-	-	-	-	192,354,468
Buildings (Separate for AFS purposes)	87,872,070	165,125	-	(3,035,954)	-	-	85,001,241	-	-	-	(3,035,954)	-	(3,035,954)	81,965,287
	280,226,538	165,125	-	(3,035,954)	-	-	277,355,709	-	-	-	(3,035,954)	-	(3,035,954)	274,319,755
Infrastructure														
Roads	314,230,945	14,293,238	-	(42,360,594)	-	-	286,163,589	-	10,032,456	-	(42,518,661)	-	(32,486,225)	253,677,364
Water main & purification	52,012,215	502,054	-	(3,972,806)	-	-	48,541,463	-	56,530	-	(3,985,232)	-	(3,928,702)	44,612,761
Sewerage purification	72,628,755	4,298,669	-	(6,956,377)	-	-	69,969,047	-	-	-	(7,103,903)	-	(7,103,903)	62,865,144
Electricity mains	23,002,691	2,208,143	(225,000)	(1,861,130)	-	134,063	23,258,767	-	9,140	-	(1,942,073)	-	(1,932,933)	21,325,834
Work in progress	-	9,886,134	-	-	-	-	9,886,134	-	16,706,510	-	-	-	16,706,510	26,593,644
	461,874,606	31,188,238	(225,000)	(55,150,907)	-	134,063	437,821,000	-	26,803,636	-	(55,549,889)	-	(28,746,253)	409,074,747
Community Assets														
Sportsfields and stadium	1,629,168	-	-	(189,040)	-	-	1,440,128	-	222,500	-	(190,122)	-	32,378	1,472,506
	1,629,168	-	-	(189,040)	-	-	1,440,128	-	222,500	-	(190,122)	-	32,378	1,472,506
Other assets														
Other	5,911,514	6,460,230	(685,214)	(2,962,186)	-	(695,607)	8,028,737	-	2,829,462	-	(2,249,327)	-	580,135	8,608,872
	5,911,514	6,460,230	(685,214)	(2,962,186)	-	(695,607)	8,028,737	-	2,829,462	-	(2,249,327)	-	580,135	8,608,872
Total property plant and equipment														
Land and buildings	280,226,538	165,125	-	(3,035,954)	-	-	277,355,709	-	-	-	(3,035,954)	-	(3,035,954)	274,319,755
Infrastructure	461,874,606	31,188,238	(225,000)	(55,150,907)	-	134,063	437,821,000	-	26,803,636	-	(55,549,889)	-	(28,746,253)	409,074,747
Community Assets	1,629,168	-	-	(189,040)	-	-	1,440,128	-	222,500	-	(190,122)	-	32,378	1,472,506
Other assets	5,911,514	6,460,230	(685,214)	(2,962,186)	-	(695,607)	8,028,737	-	2,829,462	-	(2,249,327)	-	580,135	8,608,872
	749,641,826	37,813,593	(910,214)	(61,338,087)	-	(561,544)	724,645,574	-	29,855,598	-	(61,025,292)	-	(31,169,694)	693,475,880
Agricultural/Biological assets														
Agricultural	67,543	-	-	-	-	-	67,543	-	-	-	-	-	-	67,543
	67,543	-	-	-	-	-	67,543	-	-	-	-	-	-	67,543
Intangible assets														
Computers - software & programming	27,723	-	-	(27,521)	-	-	202	-	143,521	-	(24,561)	-	118,960	119,162
	27,723	-	-	(27,521)	-	-	202	-	143,521	-	(24,561)	-	118,960	119,162
Investment properties														
Investment property	3,431,667	-	-	(118,333)	-	-	3,313,334	-	-	-	(118,333)	-	(118,333)	3,195,001
	3,431,667	-	-	(118,333)	-	-	3,313,334	-	-	-	(118,333)	-	(118,333)	3,195,001
Total	753,168,759	37,813,593	(910,214)	(61,483,941)	-	(561,544)	728,026,663	-	29,999,119	-	(61,168,186)	-	(31,169,067)	696,857,586

Nketoana Local Municipality**Appendix D**

June 2011

Segmental Statement of Financial Performance for the year ended
Prior Year **Current Year**

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
Municipality						
339,529	16,040,376	(15,700,847)	Executive & Council/Mayor and Council	66,557	14,098,945	(14,032,388)
109,937,724	26,178,522	83,759,202	Finance & Admin/Finance	108,001,980	75,459,784	32,542,196
-	-	-	Planning and Development/Economic Development/Plan	8,000	1,639,468	(1,631,468)
371,980	10,327,602	(9,955,622)	Comm. & Social/Libraries and archives	13,393,537	19,638,895	(6,245,358)
146,277	1,704,690	(1,558,413)	Public Safety/Police	198,194	2,345,994	(2,147,800)
467,137	3,146,985	(2,679,848)	Sport and Recreation	-	234,197	(234,197)
12,687,443	9,921,055	2,766,388	Waste Water Management/Sewerage	5,702,522	12,227,919	(6,525,397)
15,766	48,547,419	(48,531,653)	Road Transport/Roads	5,010	47,403,270	(47,398,260)
18,372,485	10,936,553	7,435,932	Water/Water Distribution	22,293,388	9,047,716	13,245,672
14,244,360	26,229,622	(11,985,262)	Electricity /Electricity Distribution	16,218,381	21,824,805	(5,606,424)
1,722,142	18,859,726	(17,137,584)	Other/Air Transport	31,820	15,734,455	(15,702,635)
158,304,843	171,892,550	(13,587,707)		165,919,389	219,655,448	(53,736,059)
Municipal Owned Entities						
Other charges						
158,304,843	171,892,550	(13,587,707)	Municipality	165,919,389	219,655,448	(53,736,059)
158,304,843	171,892,550	(13,587,707)	Total	165,919,389	219,655,448	(53,736,059)

Nketoana Local Municipality

Appendix E

Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

June 2011

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Sep	Dec	Mar	Sep	Dec	Mar	Jun	Yes/ No			
MIG	NKETOANA LOCAL MUNICIPALITY	8,394,000	8,394,000	2,798,000	9,968,518	7,845,915	1,082,583	1,162,449	Yes			
MSG	NKETOANA LOCAL MUNICIPALITY	750,000	-	-	59,000	376,509	314,491	-	No	N/A	No	THE MUNICIPALITY FUNDS OVERSPENT ON THE CURRENT FINANCIAL GRANT, BUT THERE WAS SUFFICIENT UNSPENT GRANT FROM THE PREVIOUS FINANCIAL YEARS
EQUITABLE SHARE	NKETOANA LOCAL MUNICIPALITY	25,893,893	20,715,114	15,536,335	15,536,336	15,536,336	15,536,336	15,536,336	Yes	N/A		
MFMG	NKETOANA LOCAL MUNICIPALITY	-	1,200,000	-	114,241	262,342	625,380	121,705	No	N/A	No	THE MUNICIPALITY FUNDS OVERSPENT ON THE CURRENT FINANCIAL GRANT, BUT THERE WAS SUFFICIENT UNSPENT GRANT FROM THE PREVIOUS FINANCIAL YEARS
LGSETA	NKETOANA LOCAL MUNICIPALITY	15,693	34,771	-	16,822	16,822	16,822	16,822		N/A		
		35,053,586	30,343,885	18,334,335	25,694,917	24,037,924	17,575,612	16,837,312				

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Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

4.3 ACTION PLAN ON AUDIT REPORT 2010/2011

1. VISION

To obtain an unqualified audit opinion on the 2010/2011 annual financial statements.

2. MISSION

- To improve financial capacity of the municipality.
- To comply with all relevant legislations.
- Improve on accountability and reporting.
- Create a working team with common purpose.

3. PLAN – TO DO LIST

WHAT	WHEN	WHO	PROGRESS	
Cash and Cash Equivalents			ACHIEVED	NOT ACHIEVED
1. Reconcile the bank accounts and ensure that outstanding items are cleared regularly	Monthly	Ishmael	Achieved. End may a proper bank recon will be done. 30th June 2011. Cash Suspence Accounts to be cleared.	
2. Count the petty cash daily and update the petty cash register	Daily	Petty Cash Officers	Done	
Trade and other receivables from exchange transaction.				
3. Reconcile the debtors control account to the sub ledger	Monthly	Bertus		
4. Reconciliation of the Property Rates Tax	Monthly	Bertus	The valuation roll balance	
5. Ensure that the billing is accurate	Monthly	Mamokete		
6. Write off indigent debtors	January 2011	Teboho	Indigent Write off is complete	
Inventory				
7. Count the stock	Monthly	Letty	Done monthly	
8. Update the inventory register	Daily	Dimakatso		23-27 May 2011
9. Correct the PS09 report	January 2011	Dimakatso		23-27 May 2011
Investments				
10. Reconcile the investment accounts	Monthly	Fikile	Investment done	
11. Update the interest received account	Monthly	Fikile	Investment interest updated	
Property Plant and Equipments				
12. Update the assets register	January April June	Maseko		Jim ti finalise the project
13. Reconcile the register to the general ledger	February 2011	Fikile		Jim to finalise the project
14. Identify intangible assets	February 2011	Maseko		Fikile to finalise the list and register

15. Identify biological and investment assets	January 2011	Maseko	Done	
Trade and other payables from exchange transaction				
16. Ensure that all payment vouchers are safely kept	Daily	Maleho		23-27 May 2011
17. Reconcile the creditors control account to the subledger	Monthly	Maleho		
18. Prepare creditors reconciliation	Monthly	Maleho		
19. Clear creditors accrual account	January 2011	Maleho	Done	
Consumer Deposits				
20. Reconcile the consumer deposit register to the general ledger	March 2011	Nanncy	Done	
21. Prepare a report to council on consumer debtors accounts without deposits	March 2011	Bertus		Follow up
VAT				
22. Reconcile the VAT control account	Monthly	Fikile	Done. Follow up the payment.	
Grants				
23. Update register for grants	Monthly	Sibongile		
24. Reconcile the register to the general ledger	Monthly	Sibongile		
Borrowings				
25. Update the loan register	Monthly	Fikile		
26. Update the interest paid account	Monthly	Fikile		
Reserves				
27. Update reserves account	Monthly	Fikile		
28. Submit a report to council on reserves account	March 2011	Fikile		
Accumulated Surplus and Deficit				
29. Reconcile salary suspense account	Monthly	Teboho		
30. Update provision for leave schedule	Monthly	Esther		
31. Prepare internal control for sundry income Library Fees Parks and Swimming Pool Leasing Income Hall Income Cemetery Income Traffic Fines Other income	Daily	Bertus		
32. Comply with Supply Chain Management Policy	Daily	Dimakatso		
Internal Controls				
33. Reconcile general ledger accounts. Ensure that the trail balance is correct	Monthly	Fikile		
34. Ensure that all transaction are correctly captured	Daily	Fikile and Bertus		
35. Clear audit queries in the management letter	April 2011	Fikile and Bertus		
36. Clear outstanding irregular and unauthorised expenditure	March 2011	Vincent		
37. Ensure that all journals are captured and properly filled	Daily	Fikile and Bertus		
Monitoring				
38. Monitor implementation of this plan	Weekly	Vincent		
39. Convene monthly meetings	Monthly	Letty		



4.4 BUDGET 2010/2011

FS193 Nketoana - Table A1 Budget Summary

Description	2006/7	2007/8	2008/9	Current Year 2009/10			2010/11 Medium Term Revenue & Expenditure Framework			
R thousands	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2010/11	Budget Year +1 2011/12	Budget Year +2 2012/13
Financial Performance										
Property rates	6 843	8 243	6 588	5 953	5 953	5 953	—	7 725	9 329	9 805
Service charges	73 984	59 363	44 146	39 790	45 092	45 092	—	57 802	60 692	63 727
Investment revenue	—	—	—	350	350	350	—	500	525	551
Transfers recognised - operational	25 464	34 120	34 120	—	—	—	—	64 095	67 300	70 665
Other own revenue	9 142	9 671	9 792	5 379	5 378	5 378	—	2 977	3 126	3 282
Total Revenue (excluding capital transfers and contributions)	115 433	111 397	94 646	51 472	56 773	56 773	—	133 099	140 972	148 030
Employee costs	26 091	30 446	31 733	32 442	31 743	31 743	—	41 818	44 076	46 456
Remuneration of councillors	2 291	3 404	3 404	4 619	4 118	4 118	—	4 488	4 731	4 986
Depreciation & asset impairment	—	—	—	4 992	4 710	4 710	—	5 600	5 902	6 221
Finance charges	940	1 672	1 677	1 440	1 440	1 440	—	980	1 033	1 089
Materials and bulk purchases	6 770	9 452	10 400	13 113	15 450	15 450	—	19 187	20 223	21 315
Transfers and grants	—	—	—	—	—	—	—	—	—	—
Other expenditure	72 490	54 080	54 840	11 214	13 394	13 394	—	46 959	49 495	52 168
Total Expenditure	108 582	99 053	102 054	67 819	70 854	70 854	—	119 032	125 460	132 235
Surplus/(Deficit)	6 851	12 344	(7 408)	(16 346)	(14 081)	(14 081)	—	14 067	15 512	15 796
Transfers recognised - capital	—	—	—	—	—	—	—	—	—	—
Contributions recognised - capital & contributed assets	—	—	—	—	—	—	—	—	—	—
Surplus/(Deficit) after capital transfers & contributions	6 851	12 344	(7 408)	(16 346)	(14 081)	(14 081)	—	14 067	15 512	15 796
Share of surplus/ (deficit) of associate	—	—	—	—	—	—	—	—	—	—
Surplus/(Deficit) for the year	6 851	12 344	(7 408)	(16 346)	(14 081)	(14 081)	—	14 067	15 512	15 796
Capital expenditure & funds sources										
Capital expenditure	—	—	—	24 430	61 514	61 514	—	32 612	40 893	24 600
Transfers recognised - capital	—	—	—	17 945	47 679	47 679	—	24 317	28 043	24 600
Public contributions & donations	—	—	—	—	—	—	—	—	—	—
Borrowing	—	—	—	—	—	—	—	—	—	—
Internally generated funds	—	—	—	6 485	13 835	13 835	—	9 295	12 850	—
Total sources of capital funds	—	—	—	24 430	61 514	61 514	—	33 612	40 893	24 600

Financial position

Total current assets	-	133 346	73 798	-	-	-	127 098	116 049	92 506	87 483
Total none current assets	-	326 569	362 038	625	652	652	652	682	682	682
Total current liabilities	-	30 283	45 538	1 500	1 500	1 500	4 715	5 100	5 100	5 100
Total none current liabilities	-	10 608	10 135	-	-	-	-	-	-	-
Community wealth/Equity	0	332 053	369 508	40 818	12 005	2 388	2 388	3 558	8 219	11 589

Cash flows

Net cash from (used) operating	222 438	276 097	224 712	227 330	274 252	274 252	-	291 193	67 300	70 665
Net cash from (used) investing	-	(99 117)	(34 586)	-	-	-	-	-	-	-
Net cash from (used) financing	-	(236)	(454)	-	-	-	-	-	-	-
Cash/cash equivalents at the year end	222 438	399 181	588 853	227 330	274 252	274 252	-	291 193	358 493	429 158

Cash backing/surplus reconciliation

Cash and investments available	-	43 744	61 515	625	652	652	3 008	2 697	807	1 340
Application of cash and investments	-	(29 568)	10 814	-	-	-	(121 000)	(111 257)	(89 541)	(85 413)
Balance - surplus (shortfall)	-	73 312	50 700	625	652	652	124 008	113 954	90 348	86 753

Asset management

Asset register summary (MDV)	-	-	-	-	-	-	405 092	405 092	445 602	490 162
Depreciation & asset impairment	-	-	-	4 992	4 710	4 710	5 600	5 600	5 902	6 221
Renewal of Existing Assets	-	-	-	-	-	-	-	-	-	-
Repairs and Maintenance	-	-	7 790	11 117	9 554	9 554	8 480	8 480	8 516	8 976

Free services

Cost of Free Basic Services provided	-	-	-	-	-	-	-	-	-	-
Revenue cost of free services provided	-	-	-	-	-	-	-	-	-	-
Households below minimum service level	-	-	-	-	-	-	-	-	-	-
Water:	-	-	-	-	-	-	-	-	-	-
Sanitation/sewerage:	-	-	-	-	-	-	-	-	-	-
Energy:	-	-	-	-	-	-	-	-	-	-
Refuse:	-	-	-	-	-	-	-	-	-	-



4.5 BUDGET TO ACTUAL COMPARISON

Nketoana Local Municipality APPENDIX E ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2011				
	2011 Actual (R)	2011 Budget (R)	2011 Variance (R)	2011 Budget (%)
Revenue				
Revenue from Non-exchange Transaction				
<i>Taxation</i>				
Property rates	10,681,610	7,725,000	2,956,610	28%
<i>Other non-exchange revenue</i>			-	
Service charges	70,169,845	57,090,000	13,079,845	19%
Rental of facilities and equipment	237,667	352,000	-114,333	-48%
Interest earned - external investments	1,312,364	500,000	812,364	62%
Interest earned - outstanding receivables	8,262,230	2,424,000	5,838,230	71%
Fines	201,569	200,000	1,569	1%
Licences and permits	-	-	-	-
Other income	4,335,250	712,000	3,623,250	84%
<i>Transfer revenue</i>			-	
Government grants and subsidies	84,491,025	64,095,000	20,396,025	24%
Total revenue	179,691,560	133,098,000	46,593,560	26%
Expenditure				
Employee related costs	43,254,614	46,306,000	-3,051,386	-7%
Contribution to Bad debts provision	50,593,628	10,000,000	40,593,628	80%
Repairs and maintenance	10,081,089	8,480,000	1,601,089	16%
Finance costs	1,018,119	980,000	38,119	4%
Bulk purchases	19,531,506	19,187,000	344,506	2%
General expenses	31,668,503	42,559,000	-10,890,497	-34%
Grants and Subsidies paid	14,273,512	14,273,512	14,273,512	100%
Total Expenditure	170,420,971	127,512,000	42,908,971	25%
Inventories: (Write-down) / reversal of write-down to net realisable value	-	-	-	-
Surplus / (deficit) for the period	9,270,589	5,586,000	3,684,589	40%

4.6 INTERGOVERNMENTAL GRANTS 2010/2011

MONTH	MIG	MSIG	MFMG	EQUITABLE SHARE	LG SETA	TOTAL
JULY				25 893 893.00	15 693.56	25 909 586.56
AUGUST	8 394 000.00	750 000.00	1 200 000.00			10 344 000.00
SEPTEMBER						
OCTOBER						
NOVEMBER	8 394 000.00			20 715 114.00	12 229.49	29 121 343.49
DECEMBER					22 541.79	22 541.79
JANUARY						
FEBRUARY						
MARCH	2 798 000.00				15 536 335.00	18 334 335.00
APRIL						
MAY						
JUNE						
TOTAL	19 586 000.00	750 000.00	1 200 000.00	62 145 342.00	50 464.84	83 731 806.84

Legend:**MIG:** Municipal Infrastructure Grant**MSIG:** Municipal System Improvement Grant**MFMG:** Local Government Improvement Grant



CHAPTER 5



5.1 GENERAL INFORMATION

Overview

The year under review the municipality focus exclusively on managerial and strategic initiatives of the management team which transformed and empowered the municipality. These have created the necessary enabling conditions, structures, systems, policies, and practices. The primary objective for these efforts remains ensuring that the Municipality is people-based and responsive in all its endeavours to deliver quality services.

On regular basis the municipality considers the contributions and inputs from our political principals, members of staff, ward committees and presentations/submissions from the general public, as profiled in the Integrated Development Plan (IDP) and translate these strategic imperatives into actionable plans and activities which in the main remain the key priorities of the municipality.

Performance management systems, fraud prevention initiatives and risk management plans have been at the centre stage of the municipality's strategic objective to ensure efficient and effective management.

Communicating with and responding to the needs of our communities by improving community participation and establishing customer care centers must remain the municipality's main priority, as must improved emphasis on implementation of Council resolutions and adherence to policies and procedures, which will release valuable measures for development in other managerial areas.

The municipality undertakes to provide consolidated strategies, structures, systems and programmes to render high levels of service delivery to our communities and comprehensive reports to our political principals to exercise their oversight mandate.



FUNCTIONAL SERVICE DELIVERY REPORTING

Information

Geography

The area comprise of the following:

COMPONENT	NO OF ERVEN	NO OF FARMS	SIZE (km²)	% OF AREA
Reitz	4 894		25.78	0.46
Petrus Steyn	3 435		10.96	0.21
Lindley	2 796		23.33	0.42
Arlington	1 185		5.69	0.10
Farmland		3 216	5 532.40	98.83
TOTAL	12 310	3 216	5 598.16	100.00

Source: Urban Dynamics, 2002

Demography

Total population:

Age in Years	Black		White		Indian/ Coloured/ Asian		TOTAL
	Male	Female	Male	Female	Male	Female	
0-6	4 352	5 250	52	84	—	—	9 738
7-17	6 036	6 567	295	285	—	44	13 227
18-35	9 003	9 628	310	613	69	—	19 623
36-55	4 625	6 462	716	622	—	53	12 505
56 and older	2 659	3 484	531	587	6	3	7 270
TOTAL	26 702	31 391	1 904	2 191	75	100	62 363
	42.82%	50.34%	3.05%	3.51%	0.12%	0.16%	
% IN TOTAL POPULATION	93.15%		6.57%		0.28%		

Source: STATSA Community Survey 2007

Indigent population

The number of registries on the Indigent Register is 4 343

Source: Nketoana Municipality Finance Department

Total number of voters

According to the IEC the number of registered voters is 28 349

Source: IEC

5.2 EXECUTIVE AND COUNCIL

Overview

This includes all activities relating to the executive and council function of Nketoana including the costs associated with mayoral, councillor and committee expenses and governance. The detail regarding remuneration can be found in the notes to the Financial Statements and Related Financial Information in Chapter 4.

Description of the Activity

The function of executive and council within Nketoana are administered as follows and includes:

The EXCO consists of 5 members with the Mayor as chairperson. EXCO intends to have a monthly meeting but at least one before each council meeting. Council strive to reach Organisational Transformation, Local Economic Development, Sound Financial management and viability and Good Governance.

These services extend to include Reitz/Petsana, Petrus Steyn/Mamafubedu, Lindley/Ntha and Arlington/Learswana.

Nketoana has the mandate to deliver equitable and sustainable basic services, providing a conducive environment for local economic development and accelerate programmes that will help meet the socio-economic needs of Nketoana residents.

The strategic objective of the function is to provide accountable governance that develops, promotes and cultivate an integrated society through service excellence and sustainable development.

The key issues for 2010/2011 are improvement of service delivery by enhancing refuse collection, provision of potable water to all residents, upgrading of roads and storm water management, upgrading of sports and recreational facilities and enhancing revenue collection.

Analysis of the Function**Councillor detail:**

Total number of Councillors is 18

Number of councillors on the EXCO is 5

Ward detail:

Total number of wards is 9

Number of ward meetings are 54

Council meetings:

Ordinary Council meetings: 5

Special Council meetings: 3

EXCO meetings: 5

Key Performance Area	Performance during the Year, Performance Targets against Actual Achieved and plans to improve Performance	Achieved	Target
To effectively support external political interfaces	Intergovernmental Relation Forum Mayor	0	4
	Intergovernmental Relation Forum Speaker	0	4
Public Participation	Council meets the people - Imbizo	0	20
	Develop Public Participation Policy	0	1
	Community Based Worker meetings	0	12
	Ward Plans/Profiles	0	9
	Ward meetings (1 per month per ward)	54	108
Ensure effective customer care	Number of customer complaints resolved - Mayor	0	All per register
	Number of customer complaints resolved - Speaker	0	All per register
	Note: No register exists, no proof of complaints resolved		
Oversight by Council	Oversight reports per annum	1	1

5.3 FINANCE

Overview

This function includes all activities relating to the finance function of Nketoana. The information on grants received appears in Chapter 4 on Financial Statements and Related Financial Information.

Description of the activity

The function of finance within Nketoana is administered as follows:

Revenue Management, Expenditure Management, Financial Management and Supply Chain Management.

These services extend to include Reitz/Petsana, Petrus Steyn/Mamafubedu, Lindley/Ntha and Arlington/Learswana.

Nketoana has the mandate to execute Financial management.

The strategic objective of the function is to create a financially viable municipality that is accountable to the stakeholders.

The key issues for 2010/2011 are revenue improvement, an improved audit outcome and compliance with relevant legislation.



Analysis of the function

Debtor billings:

July	2010	6 428 758.83
August	2010	6 280 944.99
September	2010	6 509 724.90
October	2010	6 252 516.68
November	2010	6 462 166.97
December	2010	4 592 562.83
January	2011	7 504 289.44
February	2011	6 524 918.78
March	2011	6 096 053.24
April	2011	6 308 022.35
May	2011	5 856 695.50
June	2011	6 913 960.37

Debtor collections:

July	2010	2 272 445.49
August	2010	2 558 418.78
September	2010	3 158 452.11
October	2010	2 995 510.52
November	2010	2 956 523.12
December	2010	3 048 843.58
January	2011	3 382 806.34
February	2011	3 728 758.61
March	2011	3 188 571.49
April	2011	2 800 271.95
May	2011	2 703 139.78
June	2011	3 425 547.54

Debtor Analysis:

Amount outstanding per service

Rates	17 541 425 .00
Electricity	5 398 552.00
Water	51 080 928.00
Sewerage	39 963 987.00
Refuse	42 658 774.00
Housing Rental	792 803.00
Other	37 872 815.00

Total debts outstanding over 30, 60 and 120 plus days across debtors by function.

Refer to Note 8 in the Financial Statements page 46, 47 & 48

Write off of debts:

Refuse	250 000.00
Rates	711 000.00
Electricity	24 000.00
Sewerage	178 000.00
Water	1 135 000.00
Housing Rental	792 803.00
Other	37 872 815.00

Property rates residential:

Number and value of properties rated	15 622	822 090 000.00
Rates collectable for 2010/2011		8 809 000.00

Property rates commercial:

Number and value of properties rated	499	69 350 000.00
Rates Collectable for 2010/2011		1 872 000.00

Property valuation:

Year of last valuation	2009
Regularity of valuation	4

Indigent Policy:

Number of households effected	4 343	
Total value across the municipality		11 868 000.00

Creditor Payments:

Eskom	217 810.49
Scott Auto	874.15
Balju Reitz	84.00
Marvin Marketing	143 982.00
S.Venter	1 279.61
Windmill Casino	1 000.00
W & H Van Tonder	6 200.00

External Loans:

Appendix A to the Financial Statements contains the detail regarding External Loans



Key Performance Area	Performance during the Year, Performance Targets against Actual Achieved and plans to improve Performance	Achieved	Target
Ensure accurate and timely reporting and planning	Monthly budget control, reconciliation of general ledger accounts and report accordingly	0	12
	Clear suspense accounts monthly. Number of suspense accounts with balances per month	6	0
	Submission of Annual Report prescribed by the MFMA by February	1	1
	MFMA quarterly reports to Council, National Treasury and Provincial Treasury	3	4
	MFMA Section 71 reports – monthly	11	12
	Timely submission of Mid-Year report to Council, National and Provincial Treasury as required per MFMA	1	1
	SDBIP developed	1	1
	Compile 5 Year Financial Plan	1	1
	Compile 5 Year Infrastructure Finance Plan	0	1
To develop a compliant budget and Financial Statements	Timely preparation and submission of Annual Financial Statements to Auditor-General in newly accepted GRAP format	1	1
	Develop a draft budget	1	1
	Timely approval of annual budget as per required timeframes by MFMA	1	1
	Preparation and approval of Adjusted budget	1	1
	Approval of Electricity tariffs by NERSA	1	1
	Review Water tariffs December 2010	0	1
Ensure effective capacity development and support in the financial unit	Reduce electricity loss	Not measured	-50%
	Implement pre-paid Electricity vending system	1	1
	Approval of service level agreements and framework with specific time frames for financial management support and capacity building. (Debt collection, Security, Meter readers)	0	100%
	Performance reviews conducted with Financial Personnel	1	4
Establish and maintain financial systems and policies	Implement an effective system of revenue collection and safe keeping of data as per MFMA requirement	12	12
	Ensure 100% collection and receipt of grant funding as per DoRA allocation	12	12
	Annual review and implementation of credit control & debt collection policy	1	1
	Develop and implement a Property Rates policy	1	1
	Preparation and implementation of a Valuation roll	1	1
	Undertake a land use audit	0	1
	Annual review and development of other applicable revenue policies required by MFMA	100%	100%
	Bill consumers monthly before the 25th of the month	12	12
	Accurate Billing		
	Farms	Not measured	100%
	Residential Sites		
	Business sites		
	Implement improved billing statement March 2010	0	100%
	Ensure recovery of consumer and sundry debt exceeding 90 days	100%	100%
	Implement an effective system of expenditure control in compliance with MFMA requirements	0	1
	Settling creditors within 30 days Number of creditors older than 30 days	0	+30 days
	Apply an effective cash flow and investment management as per approved policy requirements	1	1
	Establish an effective store and inventory system	1	1
	Counting inventory	12	12

	Ensure 100% maintenance and security in respect of general ledger accounting system	100%	100%
	Annual review and development of applicable expenditure policies required per MFMA	1	1
	Implement an effective system of asset and risk management in compliance with MFMA	1	1
	Counting Assets	4	4
	Develop and implement an IT policy and strategy	1	1
PMU	Register all MIG Projects		All
	Number of projects registered per month	12	12
	Report monthly to MIG (12 reports)	No backlogs	No backlogs
	Update MIG System		
	Complete all projects within set time frames	2 projects	All
	Number of completed projects per month	6 months overdue	
		1 project	
		12 months overdue	

5.4 HUMAN RESOURCES

Overview

The function of Human Resources is administered as follows:

- Human Resource Policies
- Benefits Administration
- Labour Relations
- Employment Equity
- Health and Safety of Employees
- Capacity Building
- Grievance Procedures
- Disciplinary Procedures
- The investigation of allegations of misconduct and complaints against staff
- The promotion and demotion of staff
- The dismissal and retrenchment of staff
- Recruitment, Selection and appointment of persons as staff members
- Induction
- Job Descriptions
- Leave
- Implementing all council resolutions that relate to Human Resource
- Transfer of employees

These services extend to include Reitz/Petsana, Petrys Steyn/Mamafubedu, LindleyNtha and Arlington/Leratswana.



The strategic objectives of this function are:

- Assist the bereaved by completing all the claims forms
- Submit documentation to the Pension Fund
- Develop Workplace Skill Plan
- Submit the Plan to LGSETA
- Monitor, measure and evaluate the performance of staff
- Assist the bereaved by completing all the claims forms
- Submit documentation to the Pension Fund
- Develop Workplace Skill Plan
- Submit the Plan to LGSETA

The key issues for 2010/2011 are:

- Skills Audit
- To implement Workplace Skill Plan
- Convene Training Committee
- Convene Local Labour Forum
- Convene the Health and Safety Committee
- To fill vacant posts
- Review contracts
- Develop and review policies
- Manage employee leaves
- Employment Equity Plan

Key Performance Area	Performance during the Year, Performance Targets against Actual Achieved and plans to improve Performance	Achieved	Target
Human Resource Development	Review and report on Equity Plan	1	2
	Establish an effective Employment Equity Committee	2	2
	Review and report Work Skills Plan	1	1
	Training Committee Meetings	2	4
	Review and approval of Organogram	1	1
	Employment Contracts for all employees	249	321
	Job descriptions for all employees	249	321
	Number of vacancies to be filled		
	Develop Human Resource Manual	0	1
	Implementation of training plan	239	239
Labour Relations	Local Labour Forum meetings	2	6
	Disciplinary cases reported and completed	100%	100%
Health and Safety	Number of Health and Safety Committee meetings	0	12
	Monthly H & S meetings	0	12
	Prepare H & S equipment schedule	0	1
	Safety Equipment issued according to schedule		
Effective administration	Record and file all documents	80%	100%
	Turnover in days from receipt of document until filed	5days	4 days
	Interns to be utilized in records	0	1
	Deliver all agendas 48 hours before the meetings	100%	100%
	Review of contracts	0	10
	Concluding all outstanding legal matters	100%	100%
Communication	Develop and implement a Language Policy	0	1
	Publish a Newsletter	2	4
	Install a Notice Board per unit	4	4
	Develop and establish a functional website	1	1
	Number of Toll free calls received		

5.5 PROCUREMENT/SUPPLY CHAIN

Key Performance Area	Performance during the Year, Performance Targets against Actual Achieved and plans to improve Performance	Achieved	Target
Establish and maintain Financial Systems and Policies	Ensure implementation of the Supply Chain Management regulations and approved policy	1	1
	Adjudicate bids within 60 days	60	60
	90% Procurement implementation of BEE	Unable to measure	90%

Economic Development

Overview

This Activity includes all activities associated with local economic activities.

Analysis of the Function

There is no dedicated employee for local economic development in this section. It forms part of the responsibilities of the Head of the department of Community Services.

The municipality has no building inspector. If requests for approval of building plans occurs, the plans are approved Dithlabeng Municipality. This is sometimes causing delays.

Key Performance Area	Performance during the Year, Performance Targets against Actual Achieved and plans to improve Performance	Achieved	Target
Ensure effective administrative management and internal controls	Development and Approval of LED Strategy	0	1
Ensure effective Planning and Project management	Implementation of LED Strategy	0	100%
	Appoint Assistant Manager LED	1	1
	Appoint interns for LED	0	4



5.6 COMMUNITY SERVICES

Overview

This function includes all the activities associated with the provision of community and social services.

Description of the activity:

The function of provision of various community and social services within Nketoana is administered as follows:

Waste Management: Refuse removal and street cleaning is done daily in all units. Number of removals and collection is done daily as per job card in all units. All waste collected is transported and dumped at the municipal disposal site.

Cemeteries: Daily maintenance of cemeteries and provision of land for child and adult burials, digging and preparation of graves, allocation of numbered graves and keeping of a burial register.

Sports & recreation: Daily maintenance of sport & recreation facilities, allocation of facilities to individuals or groups of people who apply for utilization of the facilities.

Parks & Open Spaces: Daily maintenance and cleaning of Municipal parks, gardens and open spaces.

Libraries: Daily library services to the community through management of books lending out and returned and management of fines for late returns. Management of access to internet facilities for the community by providing computers that can be used free of charge.

These services extend to include Reitz/Petsana, Petrus Steyn/Mamafubedu, Lindley/Ntha, Arlington/Leratswana.

The strategic objectives of the functions are:

- Provision of services that will uplift the well being of our communities
- Provision of a healthy environment and sustainable for all communities
- Decreasing environmental degradation and combating global warming
- To enforce traffic regulations and enhance Public Safety
- Daily administration of housing, town planning
- Implementation of building rules and regulations

The key issues for 2010/2011 are:

- Develop more dumping sites
- Increase capacity of refuse removal
- Increase maintenance of public spaces and sport facilities
- Compile an environmental master plan
- Compile a waste management plan
- Compile a comprehensive housing plan
- Review Spatial development framework
- Finalise township scheme
- Allocation of sites
- Enforce building regulations
- Enforce traffic regulations
- Road markings
- Erection of traffic signs

Analysis of the function

Nature and extend of facilities provided:

Service	Number of facilities	No of users
Libraries	7	4 000
Museums and Art Galleries	0	0
Community Halls	7	2 816
Cemeteries	9	1 792
Child care		
Aged care	4	
Schools		
Sporting facilities: Stadiums	3	
Swimming pools	1	
Parks	259	

Number and cost of all personnel associated with each function:

Service	Number of Staff members	Cost
Libraries	7	1 353 000.00
Community Halls	7	4 932 000.00
Cemeteries	9	5 076 000.00
Sporting facilities	4	6 192 000.00
Parks	259 sq m	6 489 000.00

Key Performance Area	Performance during the Year, Performance Targets against Actual Achieved and plans to improve Performance	Achieved	Target
Cemeteries	Maintenance of all cemeteries	No job cards	All
	Expansion and provision of new cemeteries	0	4
	Procure an electronic cemetery management system	0	1
	Improve access roads to all cemeteries	All	All
	Fencing of cemeteries	0	All
Libraries	Increase library membership by 50%		
	Conduct outreach programmes monthly		60
	Establish a Library committee	6	7
	Quarterly Library committee meetings		49
	Organise Mandela Day Donate a Book Campaign	0	7
	Submit a request for building a library in Arlington	0	1
Maintenance of Public Facilities	Greening of Nketoana - Planting trees	363	1000
	Maintenance of recreational and sports facilities	No job cards	All
	Maintenance of gardens and parks around the municipal buildings	No job cards	All
	Maintenance of Parks and Open areas	No job cards	All
	Refuse removal and cleaning of Public Facilities	No job cards	All
Planning and Strategies	Review the Environmental Plan	0	1

5.7 HOUSING & PLANNING

Overview

This includes all activities associated with provision of Housing and Urban Planning

Description of the Activity:

- The main activity of Housing is the application for RDP housing subsidies for community members who owns a site and who earn less than R 3 50.00 per month in the household.
- Capturing of application detail on the Housing Subsidy System.
- Allocation of sites to community members in need of it.
- Maintenance of the Living Waiting List of Nketoana.

These services extend to include Reitz/Petsana, Petrus Steyn/Mamafubedu, Lindley/Ntha, Arlington/Leratswana. The municipality has the mandate to register people who qualify for a low income housing subsidy from government. The strategic objective of this function is administration of housing subsidies.

The key issues for 2010/2011 are:

- Maintenance of the Living Waiting List of Nketoana
- Proper completion of application forms for RDP Housing subsidy
- Allocation of sites to applicants in need of it.

Analysis of the Function

The Housing section is staffed by a senior housing clerk and three housing clerks.

For the 2010/2011 the RDP House Subsidy allocation for Nketoana was as follows:

Reitz/Petsana	150
Petrus Steyn/mamafubedu	350
Lindley/Ntha	100
Arlington/Leratswana	0

There is no figure available for different types of dwellings. To enable the municipality to obtain such information a house /structure audit need to be done.

The backlog in Nketoana is taken at 2 096. This is constituted of people allocated a site but did not received a Housing Subsidy yet.

Key Performance Area	Performance during the Year, Performance Targets against Actual Achieved and plans to improve Performance	Achieved	Target
Planning and Strategies	Revise comprehensive housing development plan	0	1
	Develop and compile a Housing Policy	0	1
	Review Housing Sector Plan	0	1
	Review the Spatial Development Framework	1	1
Housing delivery and Land Development	Finalise township establishment and layout	2	2
	Formalise MABENA Section in Leratswana	0	1
	Purchase additional land through DLA process	0	1
	Enforce Building Regulations	0	100%
	Finalise Town Planning Scheme	0	1
	Allocation of Sites: Number of sites allocated per month	2104	2600
	Reconciliation of data: Number of sites verified	0	All
	List of identified vacant sites per town	0	4
	Rezone open sites to residential sites	0	200
	Awareness Campaigns – 1 per town	0	4
	Information day: presentations by banks on housing finance to low income earners	0	1

5.8 TRAFFIC

Overview

This function includes traffic and public safety and disaster management.

Description of the Activity:

The traffic and public safety function of municipality are administered as follows and include traffic management and disaster management. These services extend to include reitz/Petsana, Petrus Steyn/Mamafubedu, Lindley/Ntha and Arlington/Leratswana.

Nketoana has the mandate to daily enforcement of traffic regulations, response to all accidents and disaster incidents as well as issuing of fines to traffic offenders and serving of warrants of arrest.

Key Performance Area	Performance during the Year, Performance Targets against Actual Achieved and plans to improve Performance	Achieved	Target
Traffic and Public Safety	Enforce Traffic Regulations	Not measured	100%
	Number of fines issued per month		As per register
	Value of fines issued		As per register
	Fines with judgement issued per month		As per register
	Number of outstanding fines per month		As per register
	Value of outstanding fines per month		As per register
	Purchase fire equipment	1	1
	Respond promptly to all disaster incidents	Not measured	100%
	Awareness campaigns	0	1
	Road Makings	Not measured	200km
	Road signs	Not measured	AI units

5.9 SOLID WASTE

Overview

This function includes refuse removal, solid waste disposal and landfill, street cleaning and recycling

Description of the Activity:

The refuse collection and street cleaning is done on a daily basis in all units. A number of removals and collection is done on a daily basis as per job card in all units. All waste collection is transported and dumped at the municipal disposal sites.

These services extend to include Reitz/Petsana, Petrus Steyn/Mamafubedu, Lindley/Ntha and Arlington/Leratswana.

The strategic objectives of the function are:

Provision of services that will uplift the well being of our communities

Provision of a healthy and sustainable environment for all our communities

Key Performance Area	Performance during the Year, Performance Targets against Actual Achieved and plans to improve Performance	Achieved	Target
Planning and Strategies	Review Waste Management Plan	0	1
Waste Management	Develop new dumping sites	0	4
	Refuse removal and cleaning 12 900 per month Number of removals per job card	The work was done but not measured. No job cards used	154 800
	Clean Up Campaigns: 1 per town per quarter	2	16

5.10 SEWERAGE

Overview

The function includes provision of sewerage services and toilet facilities

Description of the Activity

The sewerage functions of Nketoana are administered as follows and include:

- Sewer services
- Open blockages
- Connection to main sewer lines
- Provision of buckets at new sites if no sewer is available

These services extend to include Reitz/Petsna, Petrus Steyn/Mamafubedu, Lindley/Ntha and Arlington/Leratswana.

The strategic objectives of this function are to:

- Deliver a sustainable sewer service
- Provision of decent sanitation to all

The key issues for 2010/2011 are:

Improve service delivery

Analysis of the Function

Number of all personnel associated with the sewerage function:

Professionals	0
Field (Supervisors/Foremen)	5
Office (Clerical/Administration)	1
Non-professional (Outside workforce)	12
Temporary	0
Contract	10

Number of households with sewerage services and type of service:

Flush toilets connected to sewerage system	9 613
Flush toilet with septic tank	209
Chemical toilets	0
Pit Latrines with ventilation	960
Pit latrines without ventilation	0
Bucket latrine	782
No toilet provision	0

Free basic Service Provision

Households affected 12 992

Key Performance Area	Performance during the Year, Performance Targets against Actual Achieved and plans to improve Performance	Achieved	Target
Eradicate backlogs in infrastructure	Eradication of buckets	95%	100%
Provision of sustainable basic services	Provide basic sanitation to all households	100%	100%
Maintenance of Public Facilities	Maintenance and upgrading of sewerage systems	0	100%
Waste Water/ Sewer Service	Resolve all waste water related complaints	0	0
	Number of unresolved complaints per month	0	200
	Build new toilets by March 2010	0	2700
	Install bucket system on new developed sites	No job cards	1800
	Clean all manholes quarterly	1650	2000
	Commission Mamfubedu Sewer	0	15

5.11 ROADS

Overview

The function includes the construction and maintenance of roads within Nketoana's jurisdiction.

Description of the Activity:

The road maintenance and construction responsibilities of the municipality are administered as follows and include the provision of roads and storm water management access to all households are ensured.

These services extend to include Reitz/Petsana, Petrus Steyn/Mamafubedu, Lindley/Ntha and Arlington /Leratswana.

The municipality has the mandate to provide , develop and maintain accessible roads to the community.

The strategic objective of this function is to provide better roads to the community.

The key issues for 2010/2011 are:

- Upgrade and improve roads in the municipality.
- Complete 24 kilometre paved roads in the municipality

Analysis of the Function

Number of personnel involved with the function:

Professionals	1
Field (Supervisors/Foremen)	5
Office (Clerical/Administration)	1
Non-professional (Outside workforce)	9
Temporary	0
Contract	0

Total number of kilometres of road projects

New bitumenised	0
Existing re-tarred	2.7
New gravel	16.5
Paving	18
Existing re-sheeted	0

Total kilometres of existing roads maintained:

Tar	2.7
Paving	18
Gravel	16.5

Estimated backlog in roads:

Tar	8
Gravel	12
Paving	24

Key Performance Area	Performance during the Year, Performance Targets against Actual Achieved and plans to improve Performance	Achieved	Target
Maintenance of Public Facilities	Compile long term Infrastructure Operation and Maintenance Plan	0	1
Planning and Strategies	Develop and compile an road and storm water Master Plan by March 2011	0	1
Roads and Storm Water	Maintenance of municipal roads	12km	100%
	Reseal 2km of tar road by March 2011	600mt	2km
	Improve 100km of gravel road by June 2011	0	100km
	Clean all storm water channels	No job cards	84km
	Construct 24 kilometre storm water channels	0	24km
	Complete 24 paved road in Nketoana	24	24
Mechanical Services	Compile vehicle maintenance plan	0	1
	Maintain all vehicles regularly	14	83
	Train 3 Mechanics by June 2011	1	3



5.12 WATER DISTRIBUTION

Overview

This function includes the bulk purchase, purification and distribution of water.

Description of the Activity:

The water purchase and distribution services of the municipality entail the provision of clean healthy water to all households. These services extend to include Reitz/Petsana, Petrus Steyn/Mamafubedu, Lindley/Ntha and Arlington/Leratswana. The municipality has a mandate to provide clean water to all households.

The strategic objective of this function is to provide sustainable water at, at least the RDP standard to all households.

The key issue for 2010/2011 is to improve the quality of water to meet the Blue Drop criteria.

Analysis of the Function

Number and level of all personnel involved with this function:

Professionals	0
Field (Supervisor/Foremen)	5
Office (Clerical/Administrative)	1
Non-professionals (Outside workforce)	21
Temporary	0
Contract	0

Number of households with water service and type of service

Piped water inside dwelling	2 326
Piped water inside yard	10 600
Piped water communal < 200mt	418
Piped water communal > 200mt	0
Borehole	66
Spring	0
Rain-water tank	0

Number of water projects planned for

Current financial year (2011/2012)	4
Future years	0

Anticipated expansion of the water service

Piped water inside dwelling	0
Piped water inside yard	2 162
Piped water communal < 200mt	0
Piped water communal > 200mt	0
Borehole	0
Spring	0
Rain-water tank	0

Estimated backlog in water connections:

Piped water inside dwelling	0
Piped water inside yard	2 162
Piped water communal < 200mt	0
Piped water communal > 200mt	0
Borehole	0
Spring	0
Rain-water tank	0

Free Basic Service Provision:

Households receiving Free Basic Services 12 992

Key Performance Area	Performance during the Year, Performance Targets against Actual Achieved and plans to improve Performance	Achieved	Target
Provision of temporary services	Provide households with temporary water when required	0	50
Eradicate backlogs in infrastructure	Provide households with potable water	0	650
Provision of sustainable basic services	Provide basic water to households	100%	100%
Maintenance of Public Facilities	Maintenance of water networks	No job cards	100%
	Maintenance of water purification plants	No job cards	100%
Planning and Strategies Water Service	Develop a water strategy and maintenance plan	0	1
	Install communal taps in Petsana by December 2010	100	100
	Install communal taps in Mamafubedu by December 2010	0	100
	Connect individual sites to water network in Ntha by December 2010	1250	2000
	Install water meters in Leratswana by June 2011	0	1250



5.13 ELECTRICITY DISTRIBUTION AND STREETLIGHTS

Overview

It includes the purchase and distribution of electricity as well as the provision of street lighting to the community.

Description of the Activity:

Provision of electrical services. These services extend to include Reitz, Petrus Steyn, Lindley/Ntha . The municipality has a mandate to provide electricity to all households.

The key issues for 2010/2011:

- Install pre-paid meters
- The erection of high mast lights.

Analysis of the function

Key Performance Area	Performance during the Year, Performance Targets against Actual Achieved and plans to improve Performance	Achieved	Target
Eradicate backlogs in infrastructure	Supply electricity to households		98%
Provision of sustainable basic services	Provide basic services to households		95%
Planning and strategies	Develop an Electrical master plan	0	1
Electricity	Upgrade electricity distribution in Lindley		
	Clean all substations monthly		180
	Connect electricity to all urban households		All
	Appoint 4 Trainee Electricians/Artisans		4
	Appoint Electricians in Reitz and Lindley		2
Streetlights	Erect 30mt High mast lights		10
	Maintain all street lights to working order		1 000